



1 November 2001

The Honorable Alan Greenspan  
Chairman, Board of Governors of the Federal Reserve  
Washington, DC 20551

VIA FAX AND EMAIL

**RE: Regulation DD, Truth In Savings, and the Lack of Adequacy of Bank Fee Disclosures to Shoppers and Accountholders in Both Brochures and the Internet**

Dear Chairman Greenspan,

We are writing on behalf of our members and all consumers to formally urge the Federal Reserve to use its existing authority to immediately amend Regulation DD, Truth in Savings, to improve the disclosures made to both consumers shopping for bank accounts and to existing customers considering changing their bank accounts. In particular, we urge the Board to require banks to post all Truth In Savings Act (Regulation DD) account fee disclosures, including ATM-related fees, to a prominent location on their Internet websites, in an easy to read format, so that consumers can compare all the costs of banking and shop around.

At a time of an uncertain economy, when consumers need to watch every expenditure, U.S. PIRG has found that it is shockingly difficult to obtain detailed account fee information adequate enough for consumers to make informed decisions at many of the nation's banks. This finding is particularly troubling because banks now have a low-cost way to supplement printed brochures that may go out-of-date—the Internet. While many banks have been quick to embrace the Internet as a means of communication to reporters and investors, they generally have provided limited information to consumers.

In addition to using the Internet better, banks need to do a much better job of providing fee information in their paper brochures. Many banks trifurcate their Truth In Savings-related information into three separate brochures—one containing very general information on checking accounts, one containing information on ATM-related fees and one containing information on other fees consumers might pay, such as bounced check fees. While such division of disclosures may or may not meet the letter of the Truth In Savings Act, in our view it fails to meet the intent of the act.

This is especially true today, when banks have rolled out numerous new fees that may commonly be charged to consumers, many of which were uncommon at the time of the act's passage, including foreign ATM fees, ATM card monthly fees, deposit item returned fees, human teller fees, and overdraft protection fees.

As you may know, U.S. PIRG has released over one dozen detailed surveys of bank fees in the last ten years. Some of these reports specifically analyze ATM fees and ATM surcharges. In addition, however, we have published 5 biennial bank fees and services reports since 1993, including detailed findings roughly parallel to the data in the Board's annual reports to Congress on bank fees and services, although PIRG provides results on a bank-by-bank, as well as aggregate basis. Our results are nearly identical to yours—we find that bigger, multi-state banks charge higher fees than locally-owned community banks or credit unions.

### **Information Hard To Obtain In Person**

We have experimented with numerous methods of data collection over the years to obtain the broadest coverage of banks in our surveys. We originally conducted telephone surveys, but found two problems with that approach. First, each year, banks became more and more reticent to answer so many questions and second, many banks were wary that we were actually competitors conducting market research. So, we began sending volunteers to bank branches seeking copies of checking account brochures and Truth In Savings fee schedules.

Each year, we find more banks refuse to provide detailed fee schedules to a consumer who specifically asks for one. Virtually no banks place Truth In Savings fee brochures on their brochure racks, which are otherwise full of information on lucrative (to the bank) checking account overdraft protection plans, the benefits of a debit card, or other marketing information. At most branches, shoppers are forced to wait in line to speak not with a teller but an official behind the desk if they seek detailed fee information. I have been conducting consumer surveys myself for years, and was astonished that on two different occasions my simple request for a detailed fee brochure was rejected at a local Bank of America branch. This experience has been repeated by many of our volunteers and interns, at other banks as well. Bank of America is not by any means the only bank that makes it hard to obtain fee information, merely the biggest.

### **Formal Request Letters And Internet Fail To Gain Adequate Supplemental Data**

In 2001, we attempted to supplement our information collection in three ways. First, we had interns and volunteers request detailed information by phone or mail, under the pretext that they were moving to a new city and were looking for a new bank. Generally, despite the request by phone or letter for detailed fee schedules, most banks sent only limited-utility checking account advertising brochures. Some of the brochures included monthly maintenance fee and balance requirement information; some did not. To be fair, some banks sent lots of other extraneous information in 9x12 envelopes, including calendars and other assorted material, or even a "welcome to town" video in one case. Very few, however, sent the simple requested fee comparison information. Since banks are required by law to have Truth In Savings fee brochures prepared, we wonder why they refuse to mail them on request to customers who are shopping around.

Second, we sent formal letters to bank managers as part of a research project we were conducting on behalf of AARP, which is developing shopping guides for bank consumers in over one dozen cities. While some bank branches responded to this formal and detailed survey request, we were

very disappointed in the response overall, especially since the request came on behalf of PIRG and AARP.

Third, we attempted to obtain the balance of the data needed by visiting bank Internet sites. Again, we were severely disappointed in the quality of information available. We found no detailed Truth In Savings fee schedules at any larger institution's web site. A limited number of smaller institutions post their Truth In Savings fee schedules to their websites, although not always in obvious locations. While some larger institutions include account comparison web pages based on a consumer's state or zip code, not all of these provide monthly maintenance fee information or a comparison chart. Some merely recommend "Regular checking" or "no frills checking" based on the consumer's answers to a brief survey. Virtually none of the larger or medium size institutions provided any information on ATM use or incidental fees. A small number of smaller institutions did so.

### **The Problem Is Exacerbated By Complexity and Multiplicity of Brochures**

As discussed above, many banks provide their account fee and other Truth In Savings disclosures on more than one brochure. This makes it difficult for consumers to compare fees, especially if banks do not routinely provide all the brochures, unless a consumer asks. For example, Bank of America has a one sheet-checking account brochure. It has a second, one-sheet "miscellaneous fees" brochure that is not routinely provided, as discussed above. Other banks, such as Key Bank, routinely update long complex brochures with equally long and complex amendment brochures that must be parsed out by county, by state, by account and by fee. Many smaller banks use standard software programs to generate automatic truth in savings brochures. Some of these commercially-available programs put account opening balance and minimum balance requirements in one section and maintenance and incidental fees in a different section. ATM fees, however, are included in either a third Electronic Funds Transfer Act section or on a separate EFTA document. We are unaware of any medium or large bank that has adequately supplemented its paper brochures with adequate Internet information for any fees other than general checking and savings account maintenance fees, despite the widespread availability of Internet software for generating web pages "on-the-fly" from databases.

### **Recommendations**

- We believe that the Federal Reserve Board and other regulatory agencies need to use their authority to require banks with Internet sites to immediately provide detailed information that provides all account-related information required by the Truth In Savings Act, including ATM-related fees, in one prominent location in an easy to read and tabular format. As you know, this recommendation runs counter to the series of ongoing delays that have occurred in the completion of final rules for electronic disclosures under Regulation DD, Truth In Savings and other consumer laws. Most recently, the 1 October 2001 deadline for final mandatory compliance with interim final electronic disclosure rules was rescinded yet again.
- We further believe that the Federal Reserve Board and other regulatory agencies need to review existing paper brochures and conduct "secret shopper" testing to determine whether both shoppers and existing accountholders are obtaining the intended benefits of the Truth In

Savings Act. Again, as we discuss above, in the current uncertain economic times, consumers will be shopping around more than before and deserve better from regulated financial institutions. Yet, we believe that the intent of the Truth In Savings Act, Regulation DD, merits intervention by regulators to obtain this goal.

- As you know, we have also been disappointed by the Board's reticence to continue conducting annual reports to Congress on fees and services of depository institutions. It is deplorable that we must ask the Congress to reinstate the requirement that the board conduct these annual fee studies. We urge the board to reconsider this decision. In addition, we urge the Board to voluntarily expand the scope of its fee study and post bank-by-bank, as well as aggregate results, on the Internet, so that consumers can shop around.

We do not make these allegations lightly. Our difficulties in obtaining fee information have been confirmed over a series of PIRG reports and also by our communications with investigative reporters and other consumer groups that also conduct fee surveys and investigations. If sophisticated consumers cannot easily shop around, how can average consumers?

We would be happy to come in and meet with your staff to discuss these matters and show them the variety of complex, unacceptable brochures and website printouts we ultimately obtained in our research this year for publication of our new report, "Big Banks, Bigger Fees, 2001." The full report is available on our website <http://www.stopatmfees.com>. We look forward to your response.

Sincerely,

***Edmund Mierzwinski***

Edmund Mierzwinski  
Consumer Program Director

cc: Dolores Smith, Director of Consumer and Community Affairs  
The Honorable John Hawke, Comptroller of the Currency  
The Honorable Ellen Siedman, Director, Office of Thrift Supervision  
The Honorable Donald Powell, Chairman, FDIC