The Personal Costs For Financial Protection from Congress Start to Add Up

May 13, 2011 - When I opened my first bank account, I was a little kid and I didn't have a Social Security Number. I didn't need one. On bright, hot summer morning my mom drove me to Valley Federal Savings and Loan. When I got there, I place my globe-bank on the teller's counter (which was taller than I was at the time) and told the teller that I wanted to open an account. She smiled at me, opened the bank, and counted all of the change inside. At the time, it was the extent of wealth and probably came to less than $5. When she was done, she pulled out a new account booklet, wrote in my deposit by hand and then handed the book to me. I was now Valley Federal's customer and they were happy to have my business. They paid me interest on my money, refused to sell my name to marketing firms, and didn't charge me any fees. They knew that if they treated me well there was a good chance that I would remain a customer of theirs for life.

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s.type = 'text/javascript';
s.src = 'http://widgets.digg.com/buttons.js';
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But that was in the early 1960's and a lot has changed since then. Over the past twenty years, the federal government started getting involved in the banking business. Specifically, they deregulated it; allowing interstate banking. Once that happened, they actively encouraged a variety of banking activities that have had less than favorable results for consumers. Among these, they got banks to drop their state charters in favor of federal charters and then refused states the right to enforce state banking laws on federally chartered banks. State usury laws became a thing of the past, and risky forms of home mortgages became common.

Big banks then started to gobble up smaller banks. And as those big banks found themselves with less and less competition, they started to charge fees for things that had never been charged for in the past. Instead of the bank paying you for giving them the privilege of loaning your deposits to others, they started charging you to have an account. They also started selling your personal information to virtually anyone who wanted it.

It is somewhat ironic that after congress messed up a banking system that had worked to the benefit of consumers for many years, they found the consumers were chewing their ears off about the many high fees and banking practices that were deemed unfair. So congress decided to stick their noses even deeper into the banking system and go from deregulation to re-regulation. By the time they were done, they came up with a bill that has become known to the public as Frank-Dodd. More accurately, it should just be called what it actually is: An absolute mess.

Thanks to Frank-Dodd, banking fees are now going through the roof. Here are just a few examples.

By next year, Bank of American plans to replace its basic checking account with something called "essentials". This account has monthly fees that account holders can't avoid - say goodbye to free checking. In the mean time, the bank has already increased the fees on basic checking by roughly 33%.

New basic checking customers at Chase are now paying a monthly fee that is double what the bank charged just 12 months ago. Even customers with direct deposit are being billed fees unless they have at least one direct deposit per month of at least $500.

Based on information from Bankrate.com, only 65% of the nation's top 250 banks still offer free checking. Last year, that number was over 76%.

All hope is not lost however. Many credit unions continue to offer free checking. And, there are still a few larger banks that plan to continue the practice.

The primary reason for the increase in fees lies with Frank-Dodd. This bill was supposed to protect consumers. But the bill limited the fees lenders could charge on credit cards and when and how they could change their interest rates on revolving lines of credit. The bill will eventually also limit the fees that banks can charge for clearing debit card purchases. This one bill wiped out billions of dollars in revenue for banks and they are looking for ways to make some of that back.

So the next time you are wondering why your bank is now hitting you with so many fees, you can take comfort in the knowledge that those fees are simply a result of congressional efforts to protect you! That should make everything OK, shouldn't it?

byJim Malmberg
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