

Bankrate

Costly Overdraft & NSF Fees Still Charged by Majority of Banks

ATM Fees Rise to Three-Year High: Atlanta Has Highest, Los Angeles Has Lowest

NEW YORK – August 31, 2022 – Despite the well-publicized reduction or elimination of overdraft and non-sufficient funds (NSF) fees by some banks, these fees are still being charged by most banks and are not going away anytime soon. According to Bankrate.com’s annual Checking Account and ATM Fee Study, overdraft fees are still charged by 96% of accounts surveyed and NSF fees are still charged by 87% of accounts surveyed. Further, average combined ATM fees are up to a three-year high, with the surcharge (the fee levied by an ATM owner on a non-customer making a withdrawal) hitting a record high of \$3.14, up 1.9% from last year. The study has surveyed non-interest and interest accounts and their associated fees for over 20 years. Click here for more information:

<https://www.bankrate.com/banking/checking/checking-account-survey/>

Overdraft and NSF Fees

The average overdraft fee is \$29.80, down 11% from last year’s record high of \$33.58, and now is at the lowest level since 2009. The average non-sufficient funds (NSF) fee is down 21% to \$26.58 from last year’s record of \$33.58 and is at the lowest level since \$25.81 in 2004. These decreases do signify a turnaround from previous increases nearly every year, but overdraft and NSF fees are still charged by most banks (96% and 87% respectively).

The most common fee for overdraft fees remains at \$35, the same as the last 13 years. The range of fees on both NSF and overdraft fees is now \$0 - \$38, down notably from the \$20 - \$45 range that had prevailed in 2020 and 2021.

In a reversal from the past year, the number of declining NSF fees outnumbered increases by a 12-to-1 margin while the number of declining overdraft fees outnumbered increases by a 5-to-1 margin. This illustrates a significant turnaround from 2021, when increases of the combined fees outnumbered decreases by a 7-to-1 margin, down from a 10-to-1 margin in 2020.

The decline in overdraft and NSF fees breaks a string of 3 consecutive increases and records in 21 of the preceding 23 years. Further, 13% of accounts have eliminated the NSF fee and 4% have eliminated the overdraft fee.

Overdraft fees vary by metro area, with Pittsburgh having the highest average overdraft fee (\$35.50), while Miami’s fees are the lowest (\$21.05).

Highest Overdraft Fee by Metro		Lowest Overdraft Fee by Metro			
1.	Pittsburgh	\$35.50	25.	Miami	\$21.05
2.	Cleveland	\$34.84	24.	District of Columbia	\$22.95

3. Denver	\$34.45	23. San Francisco	\$23.76
4. Milwaukee	\$33.21	22. Los Angeles	\$26.12
5. Philadelphia	\$33.20	21. San Diego	\$27.67

“Don’t let your guard down with regard to overdrafts. The overwhelming majority of banks and accounts still charge for overdrawing the account, whether the payment is honored or rejected,” said Bankrate’s Chief Financial Analyst Greg McBride, CFA. “The same advice for avoiding overdrafts still applies – monitor your available account balance before initiating transactions, set up a link to a savings account with a modest balance that can be used to cover the shortfall, and set up alerts via email or text to notify you if the balance gets below a certain threshold so you can proactively avoid having your payment declined. After all, even if your account doesn’t charge an NSF fee, the payee will most certainly assess you a fee for a returned payment.”

Interest and Non-Interest Checking Accounts

Despite the fastest pace of Federal Reserve interest rate hikes in decades, the average yield on interest checking accounts remains at last year’s record low of 0.03%.

While the average monthly fee for interest checking accounts is \$16.19, down from last year’s record of \$16.35, it still marks the second highest fee ever tallied. The average balance required to avoid the monthly fee is \$9,658, down 2.4% from last year’s record of \$9,897, but this year’s average is still 28% above 2020’s \$7,550, a record at that time.

75% of interest checking accounts require some form of balance requirement, either in the checking account or across multiple accounts to avoid the fee. 15% of interest checking accounts will waive the fee based solely on direct deposit, up from 12% last year, but still lower than 21% in 2020. Further, just 7% of interest checking accounts are free, unchanged from last year.

By contrast, nearly half (46%) of non-interest checking accounts are free, meaning they do not have a monthly fee or balance requirement. This is down from 48% last year, but is still the 3rd highest level in the past 12 years. For non-interest checking accounts, the average monthly fee is \$5.44, up 7% from \$5.08 last year, and the highest since 2019. The average balance requirement to avoid a fee is \$539.04, up 6.4% from \$506.62 last year.

In addition to the high percentage of free accounts, 53% of accounts will waive the monthly fee based on either direct deposit, account balance, transaction activity or a combination of direct deposit and transaction activity. 99% of non-interest checking accounts are free or can become free, with 44% of accounts waiving the monthly fee based solely on direct deposit, making it the predominant fee waiver.

“Will a vanishing act on free checking accounts be the eventual fallout of declining overdraft fee revenue?” McBride noted. “There is not much evidence of that to this point, but it does bear watching.”

ATM Fees

The average ATM surcharge, the fee levied by an ATM owner on a non-customer making a withdrawal, hit a record high of \$3.14, up 1.9% from \$3.08. This is the 21st time in the past 24 years that the average surcharge has set a record high, with 2004, 2020, and 2021 the exceptions. However, every ATM-owning bank surveyed will charge non-customers for withdrawals.

When it comes to banks charging their own customers for going outside the network, the most common policy is not charging a fee at all. A record high 40.5% of banks and accounts surveyed are offering free out-of-network withdrawals, consistent with increases from 39.6%, 35.2%, and 32.3% the last 3 years. The average fee charged by banks when their own customer goes outside the network was up minimally to \$1.52 from last year’s 10-year low of \$1.51. This is the second lowest average since 2011, and is 12% below the record of \$1.72 in 2017.

Combining the two fees, the average total cost of an out-of-network ATM withdrawal is \$4.66, up 1.5% from 2021, and the highest since 2019. ATM fees vary by metro area, with Atlanta having the highest out-of-network ATM fee of the 25 major metro areas in the study (\$5.38), while Los Angeles has the lowest (\$4.21).

Highest Average ATM Fee by Metro*		Lowest Average ATM Fee by Metro*	
1. Atlanta	\$5.38	25. Los Angeles	\$4.21
2. Detroit	\$5.29	24. Seattle	\$4.23
3. Phoenix	\$5.24	23. Minneapolis	\$4.24
4. Cleveland	\$5.23	22. Cincinnati	\$4.27
5. Pittsburgh	\$4.98	21. Boston	\$4.35

**Reflects both ATM fees combined (those charged by the out-of-network ATM operator and those charged by the consumer’s own financial institution)*

“Staying within your bank’s ATM network is the sure-fire way to avoid fees,” McBride added. “If going outside the network, you run the risk of being hit with fees from both your bank and the ATM-owning bank.”

Methodology:

Bankrate.com conducted the survey among a total of 10 banks and thrifts in each of 25 large U.S. markets; 1 interest checking account and 1 non-interest checking account, as well as their associated ATM fee policies, were surveyed from 245 financial institutions offering consumer checking accounts; 237 interest checking accounts and 232 non-interest checking accounts were surveyed between June 13 – July 1, 2022.

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