

Board of Governors of the Federal Reserve System



**Annual Report to the Congress
on Retail Fees and Services
of Depository Institutions**

June 1997

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Submitted to the Congress pursuant to section 1002 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 as amended by section 108 of the Riegle–Neal Interstate Banking and Branching Efficiency Act of 1994 and by section 2608 of the Economic Growth and Regulatory Paperwork Reduction Act of 1996

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Since the passage of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, the Congress has required the Board of Governors of the Federal Reserve System to report annually on discernible changes in the cost and availability of certain retail banking services and on correlations, if any, between these changes and increases in deposit insurance premiums. The act further specified that these annual reports be based on annual surveys of samples of insured depository institutions that are representative in terms of size and location.

The Riegle–Neal Interstate Banking and Branching Efficiency Act of 1994 amended the requirements for the contents of the Board’s report. The amendments require separate treatment of the trends in the cost and availability of retail banking services in each of several different regions, for each of several different size classes of institution, and, separately, for institutions that do and do not engage in multistate activities. To meet the additional requirements mandated by the Riegle–Neal act, the number of institutions surveyed was expanded substantially.

The requirements for the contents of the report were expanded again under a provision of the Economic Growth and Regulatory Paperwork Reduction Act of 1996. Under section 2608 of this act, the requirement that trends be reported by region was amended to require that they be reported for each state and for each consolidated metropolitan statistical area or primary metropolitan statistical area. This report is the first issued under the requirements of this act.¹

The surveys on which this report is based were conducted using large, randomly selected samples of depository institutions belonging either to BIF (the Bank Insurance Fund, whose participants are predominantly commercial banks) or SAIF (the Savings Association Insurance Fund, made up primarily of savings and loan associations). The samples were drawn so as to adequately represent different regions of the country and different sizes of institution. The results are population estimates, for the nation as a whole and for each of several subcategories of institution, of the availability

of a large number of retail banking services and the fees for such services.

The survey results (population estimates) applying to members of BIF are reported separately from those applying to members of SAIF. This distinction is made in part because of the numerous differences that exist between commercial banks and savings associations. The distinction is also required, however, to account for differences in insurance assessments that apply to members of the two funds.

Summary of General Findings

For the purposes of these reports, data on the fees and availability of retail services are obtained annually for the members of BIF and SAIF. In all, information on more than fifty measures of fees and service availability are reported here for members of each of the two insurance funds and for numerous subcategories of these institutions.

Although results differ by type of service, a few generalizations regarding the changes that occurred industrywide between 1995 and 1996 can be made. First, the availability of many of the retail services examined did not change appreciably between 1995 and 1996. Of those statistically significant changes that did occur, however, more than half were in the direction of greater availability rather than less availability. For members of BIF, about 60 percent of such changes were in the direction of greater availability, while for members of SAIF, about 70 percent were in this direction.

A substantial number of fees increased between 1995 and 1996, while a few declined. Of the nine cases of statistically significant changes in average fees reported for members of BIF, seven were increases. Of the eight cases reported for members of SAIF, seven also were increases. Of those cases involving a statistically significant change in the proportion of financial institutions charging for a given retail service, increases and decreases were about equal in number.

This report also compares the fees and availability of services at “single-state” and “multistate” banking organizations. Banks are designated as multistate if they are part of banking organizations that conduct banking operations in more than one state, while all other banks are designated as single-state. In most cases, the average fees charged by multistate organizations are significantly higher than those charged by single-state organizations. Statistical analyses designed to account for the role of locational and

¹ Under a sunset provision, these surveys will terminate with the report covering the year 2000.

other factors that might explain differences in the level of fees charged by banks also find significantly higher fees charged by multistate organizations.

Deposit Insurance Premiums and the Cost and Availability of Retail Banking Services

In general, deposit insurance assessment rates declined for members of both BIF and SAIF between the dates of the 1995 and 1996 surveys. Under the assessment system, each member institution of BIF and SAIF is assigned to one of nine assessment classifications based on the risk posed by the institution to its insurance fund. The following ranges of assessment rates on deposits were in effect at the time of the 1995 surveys (an institution's actual rate depended on its supervisory rating and capital position):

- For members of BIF: 0.04–0.31 percent
- For members of SAIF: 0.23–0.31 percent.

By the time of the 1996 surveys, assessment rates had declined, although not dramatically, for most members of the two funds. Thus, for the period examined in the present report, any observed increases in fees or reductions in service availability generally cannot be attributed to changes in deposit insurance assessments.

The Survey and Methodology

The two annual surveys that form the basis of this report were conducted with identical procedures.² For each category of retail banking service examined, the surveys collected data on fees and service availability from approximately 700 members of BIF and 350 members of SAIF. Because sample selection probabilities are, by design, not equal across regions or across sizes of institution, stratified random sampling was employed to obtain estimates of fees and service availability for the entire population of the two insurance funds (see appendix A for more details).

The information obtained from surveyed institutions on fees and availability covers the following items:

- Noninterest checking accounts
- NOW accounts
- Savings accounts
- Stop-payment orders
- Charges for checks and deposits involving insufficient funds
- Overdrafts
- Automated teller machines.

²Moebis Services, of Lake Bluff, Illinois, conducted the surveys.

The surveys were divided by product category and conducted by telephone on different dates to keep the length of the interviews manageable and to improve the accuracy of responses.

Estimated changes in the levels of fees and service availability are reported for the nation as a whole and for subsets of institutions according to the following two criteria: size of institution (large, medium-sized, and small) and whether or not the institution is part of a multistate banking organization.³

Average levels of fees and service availability prevailing at the time of the 1996 surveys are also reported for a large number of states and consolidated metropolitan statistical areas for which adequate data are available. Because data for individual states and metropolitan areas were not collected in the 1995 surveys, estimated changes in fees and service availability cannot be reported for them. Such estimates will be provided in next year's report.

Survey Results

Tables 1 through 5 cover noninterest checking accounts, NOW accounts, savings accounts, special fees, and automated teller machines respectively. Each table presents nationwide population estimates separately for banks and for savings associations regarding service availability and the levels of fees at the time of the 1995 and 1996 surveys, along with estimated changes in these values between the two surveys.

For each of tables 1 through 5, appendix B presents three additional tables of nationwide estimates of fee and service changes—one for each of the three institution size categories.

Tables 6 through 11 in the text present information relevant to the distinction between multistate and single-state banking organizations. Appendix C presents information on the average level of fees and services availability for individual states, and appendix D covers the same information for consolidated metropolitan statistical areas.

With the exception of the state and metropolitan area information presented in appendixes C and D, all tables present information on the statistical significance of differences between 1995 and 1996 in the percentage of institutions offering or charging for services and of differences between the two years in the average dollar values of fees and required balances. The levels of statistical significance indicated in the tables are the minimum probability that, given the change (or difference) obtained for sampled in-

³Large institutions are defined as those with assets of more than \$1 billion; medium-sized, between \$100 million and \$1 billion; and small, less than \$100 million.

stitutions, a change (not necessarily of the same magnitude but in the same direction) occurred for the entire population of such institutions.

The following discussion focuses on differences that are identified in the tables as statistically significant at a confidence level of at least 90 percent; the text refers to these selected differences as "statistically significant" or simply as "significant." Most of the other changes shown in the tables are not discussed in the text.

For most of the retail banking services in the survey, service availability is measured by the population estimate of the proportion of depository institutions that offer the service. In the case of noninterest checking accounts, NOW accounts, and savings accounts, population estimates of the average minimum balances needed to open these accounts may also be used to address the question of availability.

For most services, information on fees is presented in the form of population estimates of (1) the proportion of those depository institutions offering a service that charge for the service and (2) the average fee charged by the institutions that charge for the service. When the mix of fees for the service in question is quite diverse, as it is with noninterest checking accounts and NOW accounts, only fees associated with the most common mixes are reported.

Noninterest Checking Accounts

The proportion of members of BIF (hereafter, banks) and members of SAIF (hereafter, savings associations) offering various types of noninterest checking accounts and the fees and minimum balances associated with those accounts were surveyed in December 1995 and December 1996.

Industrywide estimates indicate that nearly all banks offered at least one type of noninterest checking account in both years, while about two-thirds of savings associations did so, with no significant changes over the period (table 1).

Noninterest checking accounts can differ considerably in terms of the nonchecking services provided with the account, the balances that depositors must maintain to qualify for various fee levels, and the mix of fees charged the account holder. Depository institutions can, and frequently do, offer more than one type of account. So that fee and availability figures may be compared systematically over time, three narrowly defined types of checking accounts are reported: (1) single-balance, single-fee accounts, (2) fee-only checking accounts, and (3) free checking accounts. Excluded from the list are noninterest checking accounts that entitle the account holder to a mix of services other than those associated with the checking account itself (the so-called club accounts) and checking accounts with relatively complicated balance structures and fee mixes.

A single-balance, single-fee account involves no fee if the account holder maintains a minimum balance; otherwise, the account holder incurs a single monthly fee. About one third of banks offered this account in 1995 and 1996, while the proportion of savings associations offering this account increased a statistically significant 7 percentage points, to about 21 percent (table 1). Significant increases in this percentage were also registered for large banks and for small savings associations (table B, 1.1 and 1.3). Industrywide, no significant change occurred in the fees or minimum balances associated with this account.

Fee-only checking is a noninterest checking account in which the customer is charged a monthly fee regardless of the account balance; a per-check charge may also be assessed, but not necessarily. Industrywide, the percentage of banks offering this account decreased about 11 percentage points between 1995 and 1996, to about 34 percent. Significant decreases in this percentage are also registered by medium-sized and small banks (table B, 1.2 and 1.3). Because this decrease follows a substantial increase observed in the previous year, no trend in the proportion of banks offering this account is apparent.

Industrywide, the average monthly fee associated with this account rose at banks a significant 41 cents, to about \$5 per month. The proportion of institutions levying a charge per check and the average charge for each check increased statistically significant amounts both at banks and savings associations between 1995 and 1996. The significant increases registered for the monthly fee at banks and for the per check charge at both banks and savings associations are all significantly greater than the roughly 3.3 percent increase in the consumer price index (CPI) during the twelve months between December 1995 and December 1996.⁴ Significant increases in the incidence and levels of these fees are also registered for several different size categories of banks and savings associations (table B, 1.1-3).

Free checking is a noninterest checking account that imposes no fees of any kind. The proportion of banks offering this account decreased a statistically significant 5 percentage points, to about 9 percent in 1996, while at savings associations it decreased a significant 9 percentage points, to about 12 percent. Significant decreases in this percentage

⁴In this context, the test for statistical significance refers to the difference between the 1996 average fee and the fee that would have existed had it risen no more than did the CPI in the same period. The CPI used is the urban index, all items.

1. Noninterest checking

Dollars except as noted

Service availability and fee averages	Banks			Savings associations		
	1995	1996	Change	1995	1996	Change
Percent offering	97.7	97.8	.1	64.6	67.0	2.4
Single-balance, single-fee account¹						
Percent offering	29.4	32.9	3.5	14.4	21.1	6.7**
Monthly fee (low balance)	6.61	6.34	-.27	5.95	5.76	-.19
Minimum balance to avoid fee	479.22	480.26	1.04	383.61	424.54	40.93
Minimum balance to open	...	123.33	...	...	152.71	...
Fee-only checking²						
Percent offering	45.7	34.2	-11.5**	22.1	26.9	4.8
Monthly fee	4.61	5.02	.41**	4.04	4.13	.09
Check charge						
Percent charging	21.6	45.8	24.2**	29.3	55.7	26.4**
Average . . . . .	.23	.34	.11**	.25	.44	.19**
Minimum balance to open	81.62	82.15	.53	72.38	68.80	-3.58
Free checking³						
Percent offering	14.2	8.7	-5.5**	21.2	12.5	-8.7**
Minimum balance to open	...	62.71	...	...	...	...

NOTE. For percentages, change is measured in percentage points; for dollars, change is measured in dollars. Data on minimum balance to open were not collected on all accounts for 1995.

1. A monthly fee for balances below the minimum, no monthly fee for balances above the minimum, and no other charges.

2. A monthly fee, no minimum balance to eliminate the fee, and a charge per check in some cases.

3. No monthly fee or per-check fee, although a charge may be imposed for check printing.

... Data are insufficient to report or not comparable across surveys.

** Significant at the 95 percent confidence level.

also occurred at large, medium-sized, and small institutions (table B, 1.1-3).

NOW Accounts

NOW (negotiable order of withdrawal) accounts are checking accounts that pay interest and often have fee structures that differ from those of noninterest checking accounts. NOW accounts were surveyed in December 1995 and December 1996. Over 95 percent of all banks offered NOW accounts in 1995 and 1996, while about 85 percent of savings associations did so, with no significant change during the period (table 2).

The surveys of NOW accounts covered three fee structures. In the first of these, a single-fee account, the institution charges no fee if the account holder maintains a minimum balance; otherwise, the institution levies one monthly

fee with no check charges. Industrywide, somewhat more than 40 percent of both banks and savings associations offered this account in 1996, an amount not significantly different from that registered for the previous year. The only significant industrywide change associated with this account was in the minimum balance required to avoid a monthly fee at savings associations; the minimum balance rose about \$200, to nearly \$800, and reflected the substantial increase registered for large savings associations (table B.2.1).

The second type of NOW account, the single-fee, single-check-charge account, differs from the first in that a below-minimum balance triggers check charges as well as a monthly fee. The proportion of institutions offering this account increased at banks a significant 7 percentage points,

2. NOW accounts

Dollars except as noted

Service availability and fee averages	Banks			Savings associations		
	1995	1996	Change	1995	1996	Change
Percent offering	96.4	97.3	.9	84.9	84.8	-.1
Single-fee account¹						
Percent offering	43.9	44.0	.1	38.5	42.5	4.0
Monthly fee (low balance)	8.49	8.11	-.38	6.84	6.54	-.30
Minimum balance to avoid fee	1,069.54	1,078.78	9.24	597.83	783.33	185.50**
Minimum balance to open	...	653.72	...	...	365.15	...
Single-fee, single- check-charge account²						
Percent offering	16.1	22.7	6.6**	5.5	14.3	8.8**
Monthly fee (low balance)	5.95	6.30	.35	5.24	6.16	.92*
Check charge . . . . .	.22	.21	-.01	.22	.22	0.00
Minimum balance to avoid fee	1,064.25	1,102.83	38.58	764.04	666.45	-97.59
Minimum balance to open	...	722.26	...	...	268.30	...
No-fee account						
Percent offering . . . . .	.0	.0	.0	.0	1.0	1.0*
Minimum balance to open	...	...	...	...	...	...

NOTE. See general note to table 1.

1. A monthly fee for balances below the minimum, no monthly fee for balances above the minimum, and no other charges.

2. A monthly fee and a check charge for balances below the minimum and no monthly fee or other charges for balances above the minimum.

... Data are insufficient to report or not comparable across surveys.

* Significant at the 90 percent confidence level.

** Significant at the 95 percent confidence level.

to about 23 percent; and at savings associations a significant 9 percentage points, to about 14 percent. Significant increases in this percentage were also observed for both medium-sized and small institutions (table B, 2.2 and 2.3). The only other significant change associated with this account, industrywide, was in the average monthly fee charged at savings associations. This fee increased about 90 cents, to somewhat more than \$6.⁵

The percentage of banks and savings associations offering NOW accounts that entail no fees—negligible in both

⁵This increase was significantly greater than the 3.3 percent increase in the CPI during the period.

1995 and 1996—increased slightly at savings associations, mostly the small institutions (table B.2.3).

Savings Accounts

Savings accounts were surveyed in November 1995 and November 1996. Nearly all banks and savings associations offered some form of savings account in both 1995 and 1996 (table 3).

The survey covered four fee structures for savings accounts: (1) simple passbook, (2) no-fee passbook, (3) simple statement, and (4) no-fee statement. For the simple passbook account, the institution charges customers no fee

3. Savings accounts

Dollars except as noted

Service availability and fee averages	Banks			Savings associations		
	1995	1996	Change	1995	1996	Change
Percent offering	98.7	99.4	.7	98.5	97.2	-1.3
Simple passbook savings ¹						
Percent offering	36.6	36.1	-.5	39.6	39.7	.1
Monthly fee (low balance)	1.61	1.46	-.15	1.77	1.93	.16
Minimum balance to avoid fee	157.44	135.73	-21.71*	176.89	188.94	12.05
Minimum balance to open	81.86	88.36	6.50	81.22	104.78	23.56**
No-fee passbook savings						
Percent offering	17.4	29.2	11.8**	13.8	45.8	32.0**
Minimum balance to open	39.33	34.40	-4.93	58.76	74.96	16.20
Simple statement savings ¹						
Percent offering	48.3	43.9	-4.4	56.8	44.4	-12.4**
Monthly fee (low balance)	2.39	1.97	-.42**	2.33	2.10	-.23
Minimum balance to avoid fee	253.27	189.62	-63.65**	227.02	219.34	-7.68
Minimum balance to open	183.60	137.96	-45.64	135.63	114.59	-21.04
No-fee statement savings						
Percent offering	9.5	14.8	5.3**	10.1	18.9	8.8**
Minimum balance to open	40.02	50.42	10.40	39.68	247.03	207.35**

NOTE. See general note to table 1.

1. A monthly fee for balances below the minimum and no fee for balances above the minimum.

* Significant at the 90 percent confidence level.

** Significant at the 95 percent confidence level.

if they maintain a minimum balance and one monthly fee otherwise. Somewhat more than one-third of both banks and savings associations offered this account in the two years surveyed, with no significant change during the period. Industrywide, the only significant changes associated with this account were in the average minimum balance to avoid the monthly fee at banks, which decreased from \$157 in 1995 to \$136 in 1996, and in the average minimum balance to open the account at savings associations, which increased from \$81 in 1995 to \$105 in 1996. These significant changes are also found for large banks and for medium-sized savings associations (table B, 3.1 and 3.2).

The second type of savings account, the no-fee passbook account, requires no minimum balance to avoid service fees. The proportion of banks offering this account increased a significant 12 percentage points over the period, to about 30 percent, while the proportion of savings

associations offering the account increased a significant 32 percentage points, to 46 percent. Significant increases in this percentage also occurred at large and small banks and at all three sizes of savings association (table B, 3.1-3).

Like the simple passbook account, the simple statement account requires the holder to maintain a minimum balance to avoid a fee. Industrywide, the proportion of institutions offering this type of account was somewhat greater than 40 percent in 1996 for both banks and savings associations. This level represents a sharp decline from the 1995 level for savings associations, but it follows a substantial increase observed for the previous period; thus no longer-term change is apparent from the 1996 result.

Industrywide, the average monthly fee charged account holders with low balances decreased at banks a significant 42 cents, to about \$2, and the minimum balances required to avoid the fee decreased about \$64. Small banks

4. Special fees

Dollars except as noted

Fee averages	Banks			Savings associations		
	1995	1996	Change	1995	1996	Change
Stop-payment orders						
Percent charging	99.0	99.4	.4	100.0	100.0	.0
Average	13.68	13.68	.00	14.09	14.08	-.01
NSF checks¹						
Percent charging	100.0	100.0	.0	99.8	99.9	.1
Average	15.71	16.36	.65**	17.06	17.62	.56
Overdrafts²						
Percent charging	98.4	100.0	1.6**	99.3	99.4	.1
Average	15.67	16.28	.61**	16.75	17.53	.78**
Deposit items returned						
Percent charging	59.0	59.3	.3	78.2	80.5	2.3
Average	4.95	5.50	.55*	6.85	7.62	.77*

NOTE. See general note to table 1.

1. NSF—Not sufficient funds.

2. Checks written against insufficient funds but honored by the institution.

* Significant at the 90 percent confidence level.

** Significant at the 95 percent confidence level.

also showed significant declines in these two items (table B.3.3). The declines follow substantial increases observed between the 1994 and 1995 surveys, thus providing no evidence of a trend.

The proportion of institutions offering statement savings accounts that entail no fee increased industrywide a significant 5 percentage points at banks, to about 15 percent; and a significant 9 percentage points at saving associations, to about 20 percent. Similar increases were observed at small and medium-sized banks and at medium-sized and large savings associations. The minimum balance required to open the account at savings associations increased, however, a significant \$200, to about \$250 over the period. Significant increases in this item are also registered for small savings associations (table B.3.3).

Special Fees

Surveys of the fees that depository institutions charge for certain special functions were conducted in November 1995 and November 1996. The surveys collected information on both the incidence of fees and on the level of fees for stop-payment orders, NSF (not sufficient funds) checks, overdrafts, and deposit items returned. Virtually all banks and savings associations charged for stop-payment orders, NSF checks, and overdrafts in 1995 and 1996 (table 4).

Although the average charge for stop-payment orders remained constant during the period at both banks and savings associations, other fees tended to rise significantly. The charge at banks for both NSF checks and overdrafts rose more than 60 cents, to somewhat more than \$16, and the average charge at savings associations for overdrafts rose about 80 cents, to \$17.50. Medium-sized banks also showed significant increases in the average charge for both NSF checks and overdrafts (table B.4.2).

The proportion of institutions charging for deposit items returned remained relatively constant, at about 60 percent for banks and 80 percent for savings associations. The average charge, however, increased significant amounts at both types of institution: 55 cents at banks, to \$5.50, and nearly 80 cents at savings associations, to about \$7.60. Small banks also showed a significant increase in this fee (table B.4.3).⁶

ATM Services

The availability of services from automated teller machines (ATMs) and the level of associated fees were surveyed in

⁶Of all the increases in fees registered for banks and savings associations industrywide, only the increase observed at banks for deposit items returned is significantly greater than the increase in the CPI during the period.

5. Automated teller machines

Dollars except as noted

Service availability and fee averages	Banks			Savings associations		
	1995	1996	Change	1995	1996	Change
Percent offering ..	79.6	72.9	-6.7**	68.5	73.2	4.7
Annual fee						
Percent charging ...	18.9	13.4	-5.5**	11.7	10.1	-1.6
Average	13.07	7.94	-5.13**	11.71	12.86	1.15
Card fee						
Percent charging ...	8.2	10.0	1.8	5.5	8.6	3.1
Average	5.29	4.89	-.40	4.53	3.00	-1.53*
Fee for transactions on us						
Withdrawals						
Percent charging ..	9.6	6.8	-2.8*	8.8	11.3	2.5
Average .....	.61	.59	-.02	.65	.86	.21**
Deposits						
Percent charging ..	4.2	2.1	-2.1*	3.0	7.2	4.2*
Average .....	...	...	...	...	.85	...
Balance inquiries						
Percent charging ..	5.2	4.4	-.8	8.0	11.2	3.2
Average .....	.81	.70	-.11	.61	.79	.18**
Fee for transactions on others						
Withdrawals						
Percent charging ..	85.3	79.8	-5.5**	83.1	79.2	-3.9
Average	1.03	1.10	.07**	.97	.98	.01
Deposits						
Percent charging ..	70.0	64.7	-5.3	62.7	66.5	3.8
Average	1.03	1.08	.05	.92	1.00	.08
Balance inquiries						
Percent charging ..	71.4	64.7	-6.7**	70.5	70.2	-.3
Average .....	.95	1.03	.08**	.88	.95	.07*

NOTE. See general note to table 1. Transactions in which the machine used is that of the customer's institution are called "on us."

... Data are insufficient to report or not comparable across surveys.

* Significant at the 90 percent confidence level.

** Significant at the 95 percent confidence level.

November 1995 and November 1996. Industrywide, the proportion of both banks and savings associations offering ATM services was somewhat greater than 70 percent in 1996 (table 5). The significant reduction registered for banks between 1995 and 1996 follows an increase of simi-

lar magnitude registered during the previous period. Thus, no long-term trend in availability is apparent.

The ATM survey requested data on yearly fees, fees for issuing the ATM card, and various types of transaction fees. ATM transactions cover deposits, with-

6. Noninterest checking at single-state and multistate banking organizations, 1996

Dollars except as noted

Service availability and account averages	Single-state (1)	Multistate (2)	Difference (2 - 1)
Percent offering	97.7	98.5	.8
Single-balance, single-fee account¹			
Percent offering	31.8	39.8	8.0**
Monthly fee (low balance)	6.18	7.15	.97**
Minimum balance to avoid fee	471.33	524.13	52.80
Minimum balance to open	120.44	137.54	17.10
Fee-only checking²			
Percent offering	31.8	48.6	16.8**
Monthly fee	4.98	5.17	.19
Check charge			
Percent charging	43.5	54.8	11.3*
Average .....	.33	.40	.07*
Minimum balance to open	83.05	78.74	-4.31
Free checking³			
Percent offering	8.7	8.5	-.2
Minimum balance to open .....	...	...	...

NOTE. For percentages, difference is measured in percentage points; for dollars, difference is measured in dollars. Single-state and multistate refer to the number of states in which the banking organization conducts banking operations.

1. A monthly fee for balances below the minimum, no monthly fee for balances above the minimum, and no other charges.

2. A monthly fee, no minimum balance to eliminate the fee, and a charge per check in some cases.

3. No monthly fee or per-check fee, although a charge may be imposed for check printing.

... Data are insufficient to report.

* Significant at the 90 percent confidence level.

** Significant at the 95 percent confidence level.

drawals, and balance inquiries; the average fees for each type differ depending on whether the institution's customer uses the institution's ATM ("on us" transactions) or another institution's ATM ("on others" transactions).

ATM "surcharges" are becoming increasingly common. These charges are the fees levied directly on users at ATMs by ATM owners; typically, the users incurring the fee are those that do not maintain an account with the institution that owns the ATM. Data on these fees, not gathered for this year's report, will appear in next year's report.

Between 1995 and 1996, the proportion of banks charging an annual ATM fee decreased a significant 5.5 percentage points, to about 13 percent, and the average annual fee at banks declined about \$5, to \$8. Significant decreases in one or both of these items are also observed for small and medium-sized banks (table B, 5.2 and 5.3).

About 10 percent of banks and 9 percent of savings associations charged a card fee in connection with ATM services in 1996, and the average level of the fee at savings associations declined that year a significant \$1.50, to \$3.

As it has been in previous years, the industrywide incidence of fees for transactions "on us" was low in 1996, ranging between 2 and 7 percent at banks and between 7 and 11 percent at savings associations. Between 1995 and 1996, the proportion of banks charging for "on us" transactions decreased for withdrawals a significant 3 percentage points, to about 7 percent; and for balance inquiries about 2 percentage points, to 2 percent. These declines in incidence were particularly striking in the case of medium-sized banks (table B.5.2). For savings associations, however, the incidence of "on us" fees increased significantly in the case of deposits, from 3 percent in 1995 to about 7 percent in 1996. This increase appears to have been centered at

7. NOW accounts at single-state and multistate banking organizations, 1996

Dollars except as noted

Service availability and account averages	Single-state (1)	Multistate (2)	Difference (2 - 1)
Percent offering	97.9	93.4	-4.5**
Single-fee account¹			
Percent offering	43.1	49.4	6.3*
Monthly fee (low balance)	7.89	9.29	1.40**
Minimum balance to avoid fee	1,058.01	1,191.72	133.71*
Minimum balance to open	697.25	417.33	-279.92**
Single-fee, single-check-charge account²			
Percent offering	23.0	20.3	-2.7
Monthly fee (low balance)	6.16	7.29	1.13**
Check charge .....	.20	.27	.07**
Minimum balance to avoid fee	1,100.26	1,121.07	20.81
Minimum balance to open	747.46	543.81	-203.65*
No-fee account			
Percent offering .....	.0	.2	.2
Minimum balance to open .....	...	...	...

NOTE. See general note to table 6.

1. A monthly fee for balances below the minimum, no monthly fee for balances above the minimum, and no other charges.

2. A monthly fee and a check charge for balances below the minimum and no other charges.

... Data are insufficient to report.

* Significant at the 90 percent confidence level.

** Significant at the 95 percent confidence level.

small savings associations, where the incidence of all "on us" transaction fees rose sharply (table B.5.3).

The level of "on us" fees did not change significantly at banks during the period, but they increased significantly at savings associations, from 65 cents in 1995 to 86 cents in 1996 in the case of withdrawals and from about 60 cents to about 80 cents in the case of balance inquiries. (Both of these increases are significantly greater than those accounted for by the increase in the CPI during the period.)

The industrywide incidence of fees in 1996 for transactions "on others" was much higher than for transactions "on us," ranging from 65 percent (for deposits and balance inquiries at banks) to 80 percent (for withdrawals at banks and savings associations). The proportion of banks charging for "on others" ATM transaction fees generally declined about 5 to 7 percentage points during the period. These moderate declines, however, follow much more substantial increases observed for the period between the 1994

and 1995 surveys. Thus, viewed from a longer perspective, the incidence of these fees has been on the rise at banks.

The average level of "on others" ATM transaction fees continued to rise at banks. Between the 1995 and 1996 surveys, the average charge for withdrawals and balance inquiries rose a significant 7 to 8 cents: to \$1.10 in the case of withdrawals and to \$1.03 in the case of balance inquiries, with the latter appearing to be particularly sharp at large banks (table B.5.1). The average charge for balance inquiries also increased significantly at savings associations, from 88 cents in 1995 to 95 cents in 1996.⁷

⁷The increases observed for balance inquiries at both banks and savings associations are significantly greater than the increase in the CPI during the period, while the increase observed for withdrawals at banks is not.

8. Savings accounts at single-state and multistate banking organizations, 1996

Dollars except as noted

Service availability and account averages	Single-state (1)	Multistate (2)	Difference (2 - 1)
Percent offering	99.4	99.7	.3
Simple passbook savings¹			
Percent offering	36.4	34.1	-2.3
Monthly fee (low balance)	1.38	2.00	.62**
Minimum balance to avoid fee	134.03	146.92	12.89
Minimum balance to open	88.01	90.67	2.66
No-fee passbook savings			
Percent offering	32.3	10.2	-22.1**
Minimum balance to open	29.17	136.20	107.03
Simple statement savings¹			
Percent offering	40.1	67.4	27.3**
Monthly fee (low balance)	1.87	2.32	.45**
Minimum balance to avoid fee	178.91	228.84	49.93
Minimum balance to open	137.44	139.85	2.41
No-fee statement savings			
Percent offering	15.7	9.1	-6.6**
Minimum balance to open	51.21	42.01	-9.20

NOTE. See general note to table 6.

** Significant at the 95 percent confidence level.

1. A monthly fee for balances below the minimum and no fee for balances above the minimum.

Comparisons between Single-State and Multistate Banking Organizations

Tables 6 through 10 present information relating to the distinction between single-state and multistate banking organizations. Banks are designated as multistate if they are part of banking organizations that conduct banking operations in more than one state, while all other banks are designated as single-state.⁸ This distinction treats one type of bank differently from the in-state and out-of-state distinction drawn in previous reports: Banks headquartered in the same state as the multistate banking organizations that own them were previously classified as in-state, but are now classified as multistate. In all other cases (which constitute the vast majority of banks in the sample), banks previously classified as in-state are now single-state, and banks previously classified as out-of-state are now multistate.

⁸Because multistate activity is much less common for savings associations than it is for banks, only information applying to banks is reported.

The change to a single-state vs. multistate comparison has been made (1) because of wording in recent amendments to the legislation requiring this report, which calls for a delineation between institutions according to engagement in "multistate activity" and (2) because analyses of the fee data have indicated that the fees charged by a bank owned by a multistate organization headquartered in the bank's state are more similar to the fees of other banks owned by multistate organizations than they are to banks that are not part of multistate organizations.

The tables comparing single-state to multistate banks present information on the same items as those found in tables 1 through 5. As was the case with the difference between the in-state and out-of-state banks discussed in previous reports, average fees reported for banks that were part of multistate organizations in 1996 were in most cases significantly higher than the average fees charged by banks that were not part of such organizations. Of the eighteen comparisons involving average fees, banks that were part of multistate organizations exhibited higher average

9. Special fees at single-state and multistate banking organizations, 1996

Dollars except as noted

Fee averages	Single-state (1)	Multistate (2)	Difference (2 - 1)
Stop-payment orders			
Percent charging	99.3	99.9	.6
Average	13.11	17.14	4.03**
NSF checks¹			
Percent charging	100.0	100.0	.0
Average	15.90	19.22	3.32**
Overdrafts²			
Percent charging	100.0	99.8	-.2
Average	15.82	19.11	3.29**
Deposit items returned			
Percent charging	57.9	68.2	10.3**
Average	5.39	6.07	.68

NOTE. See general note to table 6.

** Significant at the 95 percent confidence level.

1. NSF—Not sufficient funds.

2. Checks written against insufficient funds but honored by the institution.

charges in all of them, with thirteen of the comparisons registering statistical significance.

Average fees charged for stop-payment orders, for example, were more than \$4 higher for the multistate category and more than \$3 higher in the case of NSF checks and overdrafts. These observed differences may be due to locational differences or other factors that correlate with the distinction between single-state and multistate banking operations. To follow up that possibility, regression analyses of the 1996 fee data were conducted to account for differences in the location of the bank and differences in the size of the bank. This analysis indicates that, even after accounting in detail for differences in the location of the bank (as indicated by data on the state or CMSA in which the bank is located) and size category of the bank, substantial differences in the fees charged by single-state and multistate banking organizations remain (table 11, which shows the results of these analyses as they apply to the special fees shown in table 4).

Comparisons of the incidence of fees, in contrast to their averages, tend to be fairly evenly divided between cases in which multistate organizations are more likely and less likely to charge a fee.

Fees and Service Availability by CMSA and by State

Appendix C presents information on fees and service availability for individual CMSAs, and appendix D presents the same information for individual states. Tables are not presented for those CMSAs and states in which too few institutions were surveyed to provide accurate information. Further, since data collected in the 1995 survey were not distinguished by CMSA and state, tables in appendixes C and D report only 1996 information. Annual changes by CMSA and by state will be included in next year's report.

10. Automated teller machines at single-state and multistate banking organizations, 1996

Dollars except as noted

Service availability and account averages	Single-state (1)	Multistate (2)	Difference (2 - 1)
Percent offering	69.5	93.9	24.4**
Annual fee			
Percent charging	12.8	15.9	3.1
Average	7.48	9.94	2.46**
Card fee			
Percent charging	11.0	5.6	-5.4**
Average	4.88	...	...
Fee for transactions on us			
Withdrawals			
Percent charging	6.8	6.8	.0
Average .....	.55	.88	.33*
Deposits			
Percent charging	2.3	1.2	-1.1
Average .....	...	...	...
Balance inquiries			
Percent charging	4.1	5.6	1.5
Average .....	.67	.82	.15
Fee for transactions on others			
Withdrawals			
Percent charging	79.4	81.7	2.3
Average	1.08	1.19	.11**
Deposits			
Percent charging	66.7	53.6	-13.1**
Average	1.06	1.28	.22
Balance inquiries			
Percent charging	64.1	67.5	3.4
Average	1.02	1.09	.07

NOTE. See general note to table 6. Transactions in which the machine used is that of the customer's institution are called "on us."

... Data are insufficient to report.

* Significant at the 90 percent confidence level.

** Significant at the 95 percent confidence level.

11. Amount by which fees for special services at multistate banking organizations are higher (lower, -) than those at single-state banking organizations after controlling for size and location of institution, 1996

Dollars

Dependent variable	Multistate organization
Stop-payment orders	1.88**
NSF checks¹	1.64**
Overdrafts²	1.46**
Deposit items returned	.83**

NOTE. Ordinary-least-squares regression analysis.

1. NSF—Not sufficient funds.

2. Checks written against insufficient funds but honored by the institution.

** Significant at the 95 percent confidence level.

Appendix A: Design of the Survey

The data employed in this report were obtained through telephone interviews conducted by Moebs Services, of Lake Bluff, Illinois, under contract with the Board of Governors of the Federal Reserve System. Approximately 1,000 depository institutions were surveyed.

As in all surveys, errors in reporting are possible. To minimize these errors, all results obtained by trained interviewers were reviewed by one of two supervisors, each with extensive experience in the area of retail banking. A discrepancy or suspected error resulted in a second phone call to the surveyed institution. In addition, one out of every five surveyed institutions was called a second time to verify results.

The statistical design of the survey, developed for Moebs by George Easton, of Rutgers University, consists of a stratified systematic sample, treated as a stratified random sample. The country was divided into seven regions, and institutions were distributed among five size classes; these regions and size classes served as the strata. Because selection probabilities differ by region and size class, the inverse of the selection probabilities were employed as sampling weights. These weights were employed to obtain population estimates and their associated variances.