



Consumer Financial  
Protection Bureau

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## **CFPB Takes Steps to Improve Checking Account Access**

*CFPB Concerned that Screening Inaccuracies and Lack of Account Options are Keeping Consumers Out of the Banking System*

**WASHINGTON, D.C.** — Today the Consumer Financial Protection Bureau (CFPB) is taking steps to improve checking account access amidst Bureau concerns that consumers are being sidelined by the lack of account options and by inaccurate information used to screen potential customers. Today the CFPB sent a letter to the 25 largest retail banks encouraging them to make available and widely market lower-risk deposit accounts that help consumers avoid overdrafting. The CFPB also issued a bulletin warning banks and credit unions that failure to meet accuracy obligations when they report negative account histories to credit reporting companies could result in Bureau action. And finally, the CFPB is providing consumers with resources to help navigate the deposit account system.

“Consumers should not be sidelined out of the basic banking services they need because of the flaws and limitations in a murky system,” said CFPB Director Richard Cordray. “People deserve to have more options for access to lower-risk deposit accounts that can better fit their needs.”

Almost nine out of 10 American households have at least one checking account, and many also maintain a savings account. In recent decades, technology has made it possible for consumers to access funds in their accounts in a variety of ways. More and more banks have also introduced automated overdraft programs. As these changes have occurred, banks have placed greater emphasis on screening new applicants for potential risks that may arise if a consumer exceeds his or her account balance.

One way that banks and credit unions screen account applicants for risk is to use information provided by checking account reporting companies, which have databases of information on involuntary closures of consumer checking accounts supplied by banks and credit unions. In October 2014, the CFPB laid out concerns about the information accuracy of these reports, people's ability to access the reports and dispute incorrect information, and the ways in which the reports were being used.

Today, the CFPB is warning banks and credit unions of their obligations when reporting. And while some banks and credit unions currently offer products that help consumers avoid overdrafts and other risks, the CFPB is also encouraging the industry more broadly to provide account options for consumers so they are less likely to overspend their funds.

## Lower-Risk Deposit Accounts

Today the CFPB sent a letter to the nation's top 25 retail banking companies urging them to do more to create or promote deposit accounts designed to meet consumers' financial needs. The CFPB is urging banks and credit unions to offer consumers accounts that do not authorize them to spend money they don't have. Separately, the CFPB is weighing what additional consumer protections are necessary for overdraft and related services. Among today's CFPB recommendations:

- **Offer lower-risk products:** Today the CFPB is encouraging banks and credit unions to offer products that are designed not to authorize overdrafts and that do not charge overdraft fees. A number of institutions have introduced "no-overdraft" accounts and offer them alongside more common checking account products. However, in a recent CFPB review of the top retail banking websites, the CFPB found nearly half do not appear to offer any deposit account that ensures consumers can't overspend. Such a product would give consumers an opportunity to choose an account that helps them avoid overdrafting.

- **Advertise the lower-risk products:** The CFPB is concerned that even when companies have these accounts available, consumers don't know about them. So the CFPB is also urging banks and credit unions to feature such products prominently in their marketing efforts, their online and in-store checking account menus, and during sales consultations.

**The letter sent to the financial institutions is available**

at:[http://files.consumerfinance.gov/f/201602\\_cfpb\\_letter-to-banks-on-lower-risk-accounts.pdf](http://files.consumerfinance.gov/f/201602_cfpb_letter-to-banks-on-lower-risk-accounts.pdf)

## Screening Accuracy Improvements

The bulletin issued by the CFPB today warns banks and credit unions that they must have systems in place regarding accuracy when they pass on information, such as negative account histories, to checking account reporting or other credit reporting companies. The consumer reporting companies focused on checking accounts typically generate reports on charge-off amounts, past non-sufficient funds activity, unpaid or outstanding bounced checks, overdrafts, involuntary account closures, and fraud.

The CFPB is concerned about inaccuracies and inconsistent information provided by the financial institutions to the reporting companies. In a recent Supervisory Highlights, the CFPB noted that examiners found that one or more financial institutions failed to “establish and implement reasonable written policies and procedures regarding the accuracy of the deposit account information provided to the consumer reporting companies.” Examiners also found that at least one entity violated its federal obligation to handle consumer disputes about these issues.

Banks and credit unions should expect accurate information from checking account reporting companies to make fair assessments of deposit account applicants. If the system is tainted with incomplete, inconsistent, and inaccurate information, banks and credit unions cannot make informed decisions.

**The bulletin is available**

at:[http://files.consumerfinance.gov/f/201602\\_cfpb\\_supervisory-bulletin-furnisher-accuracy-obligations.pdf](http://files.consumerfinance.gov/f/201602_cfpb_supervisory-bulletin-furnisher-accuracy-obligations.pdf)

# Empowering Consumers to Navigate the System

The CFPB is also releasing resources to encourage consumers to shop for lower-risk checking and prepaid accounts that will not authorize them to exceed their account balances. These products can help consumers maintain their accounts longer, and the banks and credit unions that offer them are often more accepting in their screening practices. The resources include tips and information about choosing an account and managing an account.

The CFPB also released a consumer advisory to help people know what to do if they have been denied a deposit account or have an involuntary account closure. The CFPB is concerned that most consumers are unaware of what to do if they are rejected by a bank; and most are probably unaware of the screening system that provided the information to the bank about their checking-account profile. A consumer who had an account closed and goes to open a new account at another institution may be equally unaware of how this screening information will be used to judge his or her account application.

Today's advisory tells consumers:

- **How to obtain a copy of their checking account history:** If a bank or credit union makes its decision to deny a new account based on negative reporting, the bank or credit union is required to provide the consumer with the source. The consumer should contact that source and has the right to obtain a free copy of his or her consumer report.
- **How to dispute items with the consumer reporting company:** If the consumer thinks the information provided by the checking account reporting company is inaccurate, he or she should file a dispute with the company. The company is required to conduct a reasonable investigation. The CFPB is providing a sample letter to help consumers dispute the inaccurate information with the checking account reporting company.
- **How to dispute items with a bank or credit union that reported inaccurate information:** If the consumer thinks some of the information on the consumer report is inaccurate, then he or she also should contact the financial institution that reported it, such as his or her old bank. The consumer can then request a correction. Federal law requires financial institutions to promptly correct inaccurate information. The CFPB is

releasing a sample letter that consumers can use to contact a financial institution to dispute inaccurate information.

- **To shop around for lower-risk products:** Consumers can shop around to find banks or credit unions that offer accounts without features like overdraft, many of which are available despite prior negative account history. Prepaid products are also a viable option for consumers looking to ensure they only spend the money they have.

**The guide to select a lower-risk account can be found**

**at:**[http://files.consumerfinance.gov/f/201602\\_cfpb\\_consumer-guide-to-selecting-a-lower-risk-account.pdf](http://files.consumerfinance.gov/f/201602_cfpb_consumer-guide-to-selecting-a-lower-risk-account.pdf)

**The guide to manage your checking account can be found**

**at:**[http://files.consumerfinance.gov/f/201602\\_cfpb\\_consumer-guide-to-managing-your-checking-account.pdf](http://files.consumerfinance.gov/f/201602_cfpb_consumer-guide-to-managing-your-checking-account.pdf)

**The consumer advisory about being denied a checking account can be found**

**at:** [http://files.consumerfinance.gov/f/201602\\_cfpb\\_consumer-guide-to-being-denied-a-checking-account.pdf](http://files.consumerfinance.gov/f/201602_cfpb_consumer-guide-to-being-denied-a-checking-account.pdf)

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