

[Print](#)[Close](#)

Banks Squeezing Money from Unemployed

Published on 12-20-2009

Source: [Consortium News](#) - **Barbara Koepfel**

While posting breathtaking profits in the last two quarters – Wells Fargo’s \$3.2 billion, Citigroup’s \$3 billion and Chase’s \$2.7 billion – U.S. banks have figured out a way to squeeze some extra dollars from those who can least afford it, the unemployed.

Here’s how it works. In the past two years, states have been overwhelmed with unemployment claims. Always eager to serve, America’s banks offered a deal the states couldn’t refuse.

Sign a contract — which won’t cost you a dime — and send us your weekly unemployment funds, the banks said. In return, we’ll issue our VISA or MasterCard debit cards to your laid-off workers, on which we’ll post their benefits electronically.

Thirty states signed on with the usual suspects — Citi, Wells Fargo, JPMorgan Chase, Bank of America — and some smaller ones, too. More states are lining up.

In a stroke, states dropped all their costs for printing and mailing checks. Andrew James, with North Carolina’s Employment Security Commission, told me that in the past year, his state saved a whopping \$10 million. During the same time, Nevada saved \$800,000, Maryland \$400,000 and West Virginia \$340,000.

But if the system is good for the states, it’s great for the banks. A February 2009 Associated Press article noted that Missouri’s Central Bank, which won that state’s contract, could reap \$6.3 million this year alone.

The banks profit from interest earned on the funds the states deposit with them until the money is posted onto the debit cards. Then there’s the money the banks get from retailers where the unemployed shop with their cards — from 2 percent to 3 percent per transaction.

But such sums are not large enough, it seems. So the banks have figured how to extract more money from the millions of unemployed now using the debit cards. The devil’s in the fees.

Nickel and Diming

The cards can be beneficial to some of the unemployed, like those who otherwise would pay whopping fees to cash checks because they don’t have bank accounts.

And, at first glance, many of the terms seem reasonable enough: Free cash withdrawals from tellers at banks that honor VISA or MasterCard (over 90 percent in the United States) and from ATMs owned by the banks with the contracts (plus one or two others in their networks).

However, in practice, the various fees add up. For example, withdrawals are free — but only to a point. In Maryland, Citicorp gets \$1.50 a pop after four free ATM withdrawals a month; in Nevada,

Wells Fargo gets \$1.25 after two free ones; in Texas, Chase gets \$1.50 after only one free withdrawal a week and Missouri's Central Bank, which offers no free ATM withdrawals, rakes in \$1.75 each and every time.

If the bank offering the debit card doesn't have an ATM in a neighborhood or small town, it's even worse: Card-holders must use out-of-network ATMs, which spell double trouble. A first fee goes to the bank with the contract — Chase charges \$2.75 in West Virginia and Wells Fargo gets \$1.25 in Nevada.

A second fee — from \$2 to \$4 — goes to the out-of-network bank that owns the ATM, if the recipient doesn't have an account there. Thus, one withdrawal can cost over \$5. These expenses can mushroom, since recipients use ATMs six to 10 times a month, according to the AP article.

Penalties for transactions denied due to insufficient funds, whether at ATMs or stores, are another costly affront: \$1.50 in West Virginia and Michigan, and \$1 in Texas — though the banks, which use electronic systems — needn't process anything. Only a few plans, as in Kansas, charge nothing.

To avoid penalties, the jobless must find out how much money is on their cards. But here's another catch: In Nevada, they get one free ATM balance inquiry a month. After that, the price tag is 50 cents a throw. In Michigan, it's \$1 for every one after the first (per week). In Texas, inquiries are free at Chase ATMs, but 50 cents at all others.

So it's a costly Catch-22. To avoid fees for declined transactions, the jobless must pay to know what's on the card, to ensure that a purchase or other transaction won't exceed the total.

Lost Cards

If a card is lost, tack on more. A few banks give the first one gratis, but the next cost \$5 each (in Kansas and Maryland) or \$7.50 (in Michigan). In North Carolina, Comerica gets \$5, period — no freebies allowed.

Most banks charge nothing for cash withdrawn inside, from tellers, but some levy fees after the first visit in a week or month: \$5 in Texas and \$4 in Michigan.

The promise that retailers will give free cash-backs to debit-card users often is another myth.

In Berkeley Springs, West Virginia, the one hardware store in town doesn't give cash back. Nor do the two gas stations. The 7-11 turns over \$10 tops.

Food Lion allows up to \$100 per purchase — but as the customer service rep told me, “Only if we have the cash.” And, most stores (even in big cities) don't in the early morning or at night.

Could the debit-card terms change and the plans still work — for the banks, states and unemployed?

Judi Conti, at the National Employment Law Project, says the states could easily negotiate better deals to reduce the fees. Also, recipients should be able to decide if they want their payments in checks, direct deposits to their bank accounts — which carry no fees at all — or debit cards.

“The banks,” she contends, “could do this and still make an honest profit.”

At present, a few states offer direct deposits — but most don't. The Workforce West Virginia spokesman told me his state was going to start this "sometime soon." When? It's not yet decided.

For now, those without jobs who are trying to stretch every dollar from unemployment insurance are finding the banks eager to nibble away at even those modest sums.

Barbara Koeppel is a free-lance investigative reporter based in Washington DC.

To comment at Consortiumblog, click [here](#). (To make a blog comment about this or other stories, you can use your normal e-mail address and password. Ignore the prompt for a Google account.) To comment to us by e-mail, click [here](#). To donate so we can continue reporting and publishing stories like the one you just read, click [here](#).