

consumer action

Education and advocacy since 1971

Tips for Switching from Wells Fargo

Our tips will help you make the switch to a better, more honest and consumer-friendly financial institution as quickly and as painlessly as possible.

For checking and savings accounts

Will my money be just as secure if I put it in a credit union or community bank?

Up to \$250,000 is insured by the federal government. The FDIC (Federal Deposit Insurance Corporation) insures bank deposits up to \$250,000 per depositor, for each account ownership category. For credit unions, the NCUA (National Credit Union Association) offers the exact same protections.

First, consider your options.

Avoiding arbitration: How can you reduce the risk of banking where there is forced arbitration?

In general, the larger the financial institution, the more likely an account agreement will take away your constitutional rights and require mandatory binding arbitration. If you ever have a dispute with your financial institution, banks are much more likely to force you into arbitration than credit unions. This report in *American Banker* says that “From the CFPB [Consumer Financial Protection Bureau] evidence, 97% of credit unions (294 of 304) did not use arbitration clauses in their credit card contracts. By comparison, more than 60% of the largest bank issuers (30 of 50) used forced arbitration in their credit card contracts.”

American Banker report: <https://www.americanbanker.com/opinion/credit-union-opposition-to-cfpb-arbitration-plan-is-baffling>

This report from the Pew Charitable Trusts includes helpful information about how banks resolve disputes (see pages 23 and 24). Note: this report does not include credit unions, and some banks may have changed their policies.

Pew Charitable Trusts report:

http://www.pewtrusts.org/~media/assets/2015/05/checks_and_balances_report_final.pdf?la=en

Unfortunately, banks often hide forced arbitration clauses in the fine print of lengthy contracts, or on the backs of documents. Even if a bank clerk or manager tells you that they do not have forced arbitration, be sure to read any documents carefully yourself, on both sides, and on all computer screens, before you sign. Be on the lookout for words like: **dispute resolution, waiver of rights, waiver of jury trial, arbitration.**

You can also ask the bank or credit union to put it in writing, in their contract with you, that they do not impose forced arbitration, and that they will not change their policy regarding forced arbitration, as long as you have an account with them. But they may resist doing this, even if they don't have forced arbitration when you open an account.

We hope that as more consumers switch from Wells Fargo, more banks and credit unions will advertise publicly that they do not impose forced arbitration, making it easier to identify good options where to switch.

Customer service: If you are looking for better customer service, customer service is usually greatly superior at credit unions and community banks.

Convenience: Do you use ATMs frequently? Many credit unions and small banks will rebate out-of-network ATM fees back to you. Big banks won't. Many credit unions provide access to a network of over 30,000 ATMs in the U.S. and abroad.

Do you anticipate visiting a physical branch of your new bank often? If so, choose a bank or credit union with branches near your home or work.

Find out which credit unions are near you through www.asmarterchoice.org. For lesser-known banks and credit unions, websites like www.depositaccounts.com and www.doctorofcredit.com highlight many excellent community banks and credit unions.

If you enjoy the convenience of mobile check deposit, make sure that your new bank or credit union offers this. While many community banks and credit unions now offer remote check deposit through your phone, this is one service that large banks have been better at providing.

Saving / borrowing: Credit unions generally pay savers higher interest rates, and charge borrowers the lowest interest rates for car loans.

Rewards: For significantly higher interest rates for your cash savings, consider "reward checking accounts" (sometimes called "Kasasa" accounts), which upon completing requirements like direct deposit, and a minimum number of monthly transactions with your debit card, can pay you over 3% interest.

Next, when you set up your new account:

Avoid fees: Choose a "free checking" account that won't charge you monthly maintenance fees. Read carefully what the criteria are for having "free checking" and make sure you will meet those, consistently.

Be sure to decline the "overdraft protection" plan. Declining overdraft means that a point-of-sale transaction that exceeds your funds will be declined, rather than potentially costing you an extra \$35 for a pack of gum.

Take important steps BEFORE you make the switch: Set up electronic transfers between your old account and your new one. This will allow you to move money between the accounts as needed to cover payments, debits and checks during the transition. Most commonly, you will choose to "add an external account" through your new bank's website and the bank will send two small trial deposits to the old account. Once you verify the deposits, you can transfer money electronically between the accounts.

Set up online banking and online bill pay. Visit your new bank or credit union's website and follow the instructions for setting up online banking. From there, you can add the names, account numbers and addresses for everyone you pay using online bill pay. If you will use mobile banking with your phone, download the app.

Switch any existing automatic payments, such as payments for your phone, insurance, energy bill or TV package to your new account.

Fill out a new direct deposit form to receive payment from your employer, pension, or Social Security. Many banks or credit unions will pre-print these forms for you, including your new account number and the bank's routing number.

Close your Wells Fargo Account: Make sure all checks and any other transactions have cleared before you take this step. Finally, close your account with Wells Fargo. After you have set up your new account, it's easy to do this online. If you don't do your banking online, or if

there is a charge for using an electronic transfer, you can also simply write a check for the full amount left in your account. After your Wells Fargo account is closed, be sure to shred any leftover checks and deposit slips.

For credit card accounts

If you have a credit card account with Wells Fargo, you can stop using the card and destroy it, but it's important not to close that account. That's because credit scoring companies count the amount you have available for credit very heavily in determining your credit score. If you close that account, it could lower your credit score, possibly raising the interest rate you have to pay for other credit.

Before long, your money will be in a better place, and you will be earning more interest and paying fewer fees to keep it there. You will also have preserved your constitutional rights, to hold the bank or credit union accountable, if they try to rip you off.