

Consumer Reports magazine: July 2010

CR CONTENT AVAILABLE ONLY TO SUBSCRIBERS

Print | Email | Share

In this report

Overview ▶

When to bail on your bank

Last reviewed: July 2010



This article appeared in July 2010 Consumer Reports Magazine.

The Move Your Money campaign spearheaded by blogger and pundit Arianna Huffington urges consumers to switch from big corporate banks to local ones. Too-big-to-fail banks took taxpayer bailout money and then, the argument goes, repaid that generosity by cutting home-equity loans, raising APRs on credit cards, and refusing to refinance mortgages.



Illustration by Richard Mia

Although smaller banks emphasize service and community ties, national banks generally have more branches and better online and mobile banking.

That said, there are great deals at local banks and especially at credit unions. Among the benefits:

Better credit cards

According to July 2009 data from the Pew Charitable Trusts, credit unions offer interest rates that are 20 percent lower than those of banks, plus lower late fees and over-the-limit fees (\$20 on average compared with \$39 at banks). Federal credit unions can't legally charge more than 18 percent interest, even if you're late paying and end up with the default APR. Small banks, including Simmons and IberiaBank, offer cards with some of the lowest APRs in the U.S.

Higher yields on savings

Local banks often charge lower fees on checking accounts and offer high-yield checking accounts with interest rates of up to 4 percent. The amount you can deposit might be capped at \$10,000 to \$50,000, though, and you generally must set up direct deposit, make 10 or more debit transactions per month, and manage your account online. Find banks offering those accounts at CheckingFinder.com.

Low-rate loans

Community banks and credit unions might be less likely to take a cookie-cutter approach in evaluating borrowers for mortgages, auto loans, and personal loans. Local banks that avoided exotic subprime mortgages might have solid balance sheets and offer low-rate mortgages and refinancing. They could also be more flexible in lending to people with blemished credit scores.

Bottom line

If you're sold on moving your money, look for a small bank at www.moveyourmoney.info/find-a-bank. Also go to www.creditunion.coop/cu_locator or www.findacreditunion.com. Qualifying for credit unions is easier than it used to be. For instance, you can join the Pentagon Federal Credit Union, which offers good credit cards and low-interest loans, by donating \$20 to the National Military Family Association.

Be sure your chosen bank is covered by federal deposit insurance (go to www.fdic.gov/edie) and is financially strong (see Bankrate.com's Safe & Sound Ratings). If you use direct deposit or automatic bill payment, see whether the new bank offers a switch kit to transfer all your accounts.

Not a member?
Subscribe now

Member sign-in

Username:

Password:

Remember me

Sign-in

[Forgot username?](#)
[Forgot password?](#)

SUBSCRIBE ONLINE

Join today & get **24/7 online access to:**

- ▶ Expert Ratings
- ▶ Buying advice
- ▶ Much, much more!

CLICK HERE TO
SUBSCRIBE

Consumer Reports **Health.org**

SUBSCRIBE ONLINE

Join today & get **24/7 online access to:**

- ✓ Treatment Ratings
- ✓ Best Buy Drugs
- ✓ Healthy Living Advice

CLICK HERE TO
SUBSCRIBE

E-mail Newsletters

Join one of our e-mail newsletters--it's FREE!

- What's New at ConsumerReports.org
- Cars Newsletter
- Safety Alert
- Health Alert

Sign-up Now