

CONSUMERS: TAKE CHARGE!

COVID-19 ACCELERATES FEE VOLATILITY, IT PAYS TO DO YOUR HOMEWORK



EXECUTIVE SUMMARY

COVID-19 wreaked havoc in many ways, one being its effect on consumers' bank accounts. Amid layoffs and chaotic spending, money was difficult to come by for the average American and just as difficult to keep their hands on.

Consumers have long dealt with bank and credit card fees – the pandemic only amplified the situation. As people adjusted their spending habits to fit the new normal, some fees let up while others soared to new heights. Financial institutions initially offered relief, but as pressure mounted to maintain a healthy bottom line, banks handed out penalties more liberally, with relief only for customers who requested it.

Cushion is the leader in bank fee detection, monitoring, and negotiation. Our artificial intelligence scans customers' financials, identifies every type of fee, and negotiates with institutions directly. We've analyzed hundreds of millions of transactions and secured millions of dollars in bank and credit card fee refunds for consumers.

For years, Cushion has seen the negative effects of fees. We didn't think the situation could get much worse. COVID-19 proved us wrong. This motivated us to take a deep dive into bank fees before, during, and after the pandemic. The impact on both banks and their customers was enlightening.

- Increased spending on essential goods and services yielded more overdraft fees, ATM fees, and credit card interest charges.
- Shelter-in-place orders and cost cutting on non-essential goods and services resulted in fewer annual membership fees, foreign transaction charges, and returned item fees.
- Financial institutions charged more fees during the pandemic, but they were also more willing to negotiate penalties and issue refunds.
- The states with the highest per capita fees in 2020 included West Virginia, Maine, South Dakota, Kentucky, and North Dakota. The states with the lowest per capita fees in 2020 included Montana, Arkansas, Washington, D.C., New Mexico, and Maryland.

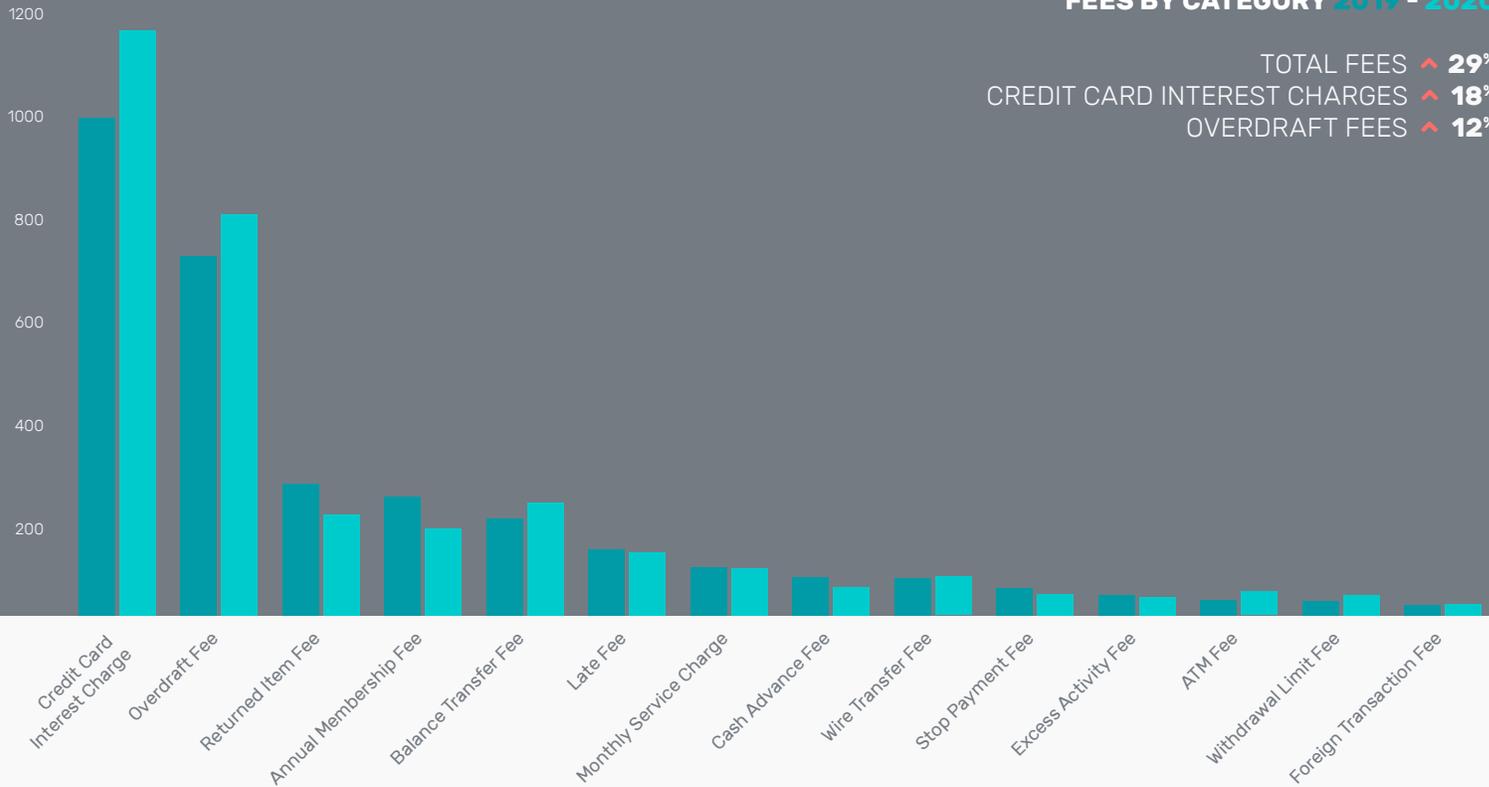
In this report, we analyze fees charged to Cushion customers in 2019 and 2020 by state and type of fee.

METHODOLOGY

Cushion collects anonymized data of the fees its users incur. This report is based on fees incurred by Cushion customers for the period January 1, 2019 – December 31, 2019 and/or January 1, 2020 – December 31, 2020. All results here are on a per capita basis. It's likely the trends outlined in this report are consistent with the U.S. population at large.

FEES BY CATEGORY 2019 - 2020

TOTAL FEES **▲ 29%**
 CREDIT CARD INTEREST CHARGES **▲ 18%**
 OVERDRAFT FEES **▲ 12%**



MANY FEES JUMPED IN 2020... BUT SOME DECLINED

Evaluated on a per capita basis, consumers paid an average of \$416.65 in total fees during 2020, up 29% from \$324.22 in 2019. Credit card interest charges accounted for the largest single item, with people paying an average of \$1,136.21 in 2020 versus \$965.17 in 2019, an 18% jump. The second largest fee was overdraft fees, standing at \$779.22 as compared to \$697.77, a 12% increase.

The largest per capita fees in 2020 were credit card interest charges, followed by overdraft and balance transfer fees. In 2019, largest fees included interest, overdraft and returned item fees.

Financial distress among many consumers is largely responsible for both increases. Relying on credit cards to make ends meet accounts for the jump in credit card interest charges, while as consumers' paychecks either decreased or ended entirely, they continued to spend and became overdrawn.

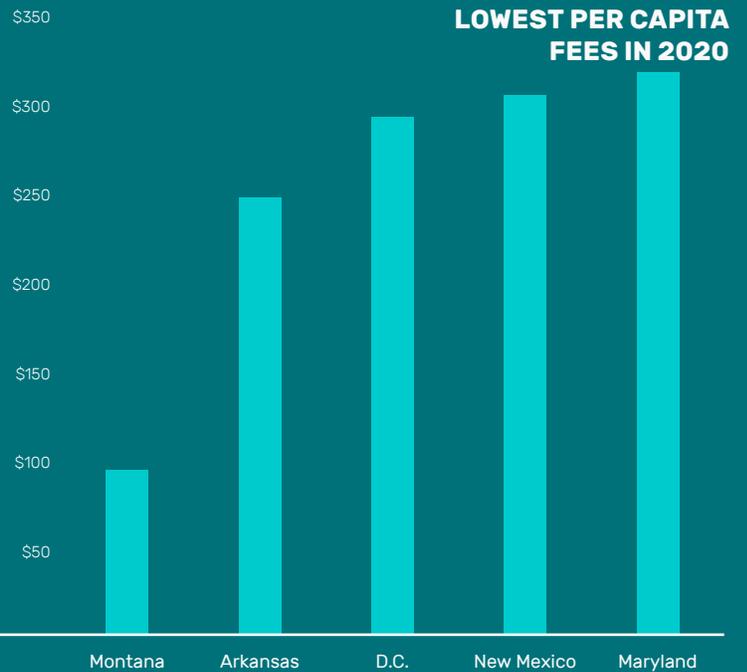
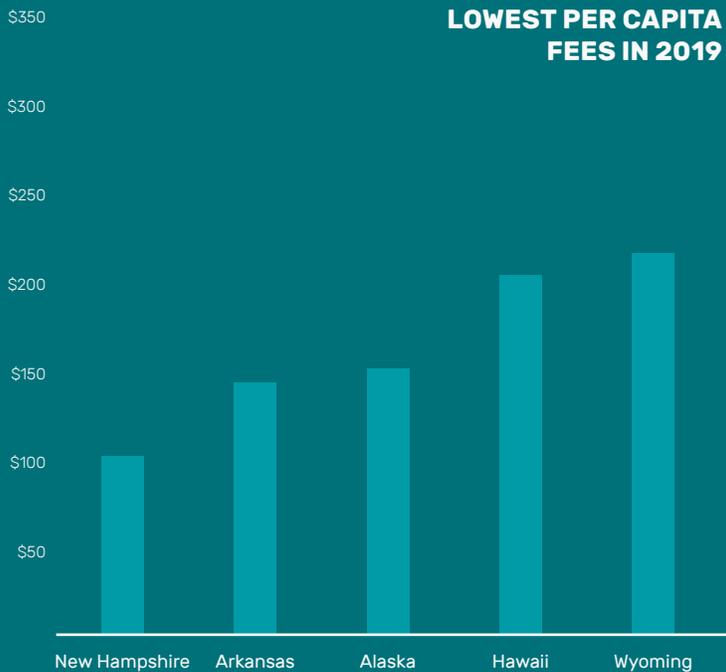
As consumer behavior changed in 2020, some activities resulted in a reduction of fees paid. Average annual membership fees dropped \$63.04 last year, to \$168.15 in 2020 from \$231.19 in 2019. Traveling less and staying home more, people canceled premium credit cards that they formerly kept around for the perks. As a result of reduced shopping activity, returned item fees fell \$58.61 to \$196.20 in 2020 from \$254.81 in 2019.

The lowest fees in 2020 were foreign transaction fees, excess activity fees and withdrawal limit fees. Lowest fees in 2019 were foreign transaction fees, withdrawal limit fees and ATM fees.

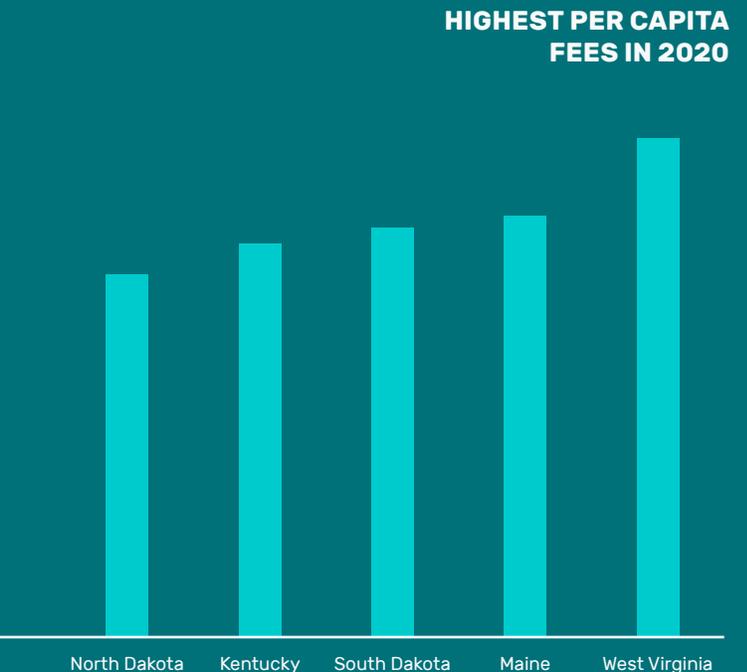
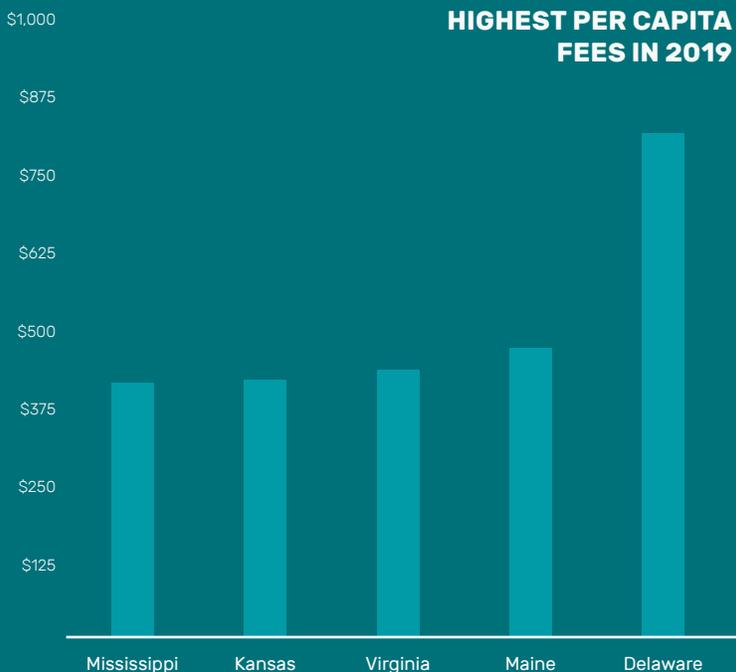
FEES BY STATE VARY WILDLY AND CHANGE QUICKLY

The short analysis is simple: If you love fees, move to Maine, and if you hate them, move to Arkansas. Maine had among the highest per capita fees in 2019 and 2020, while Arkansas had among the lowest.

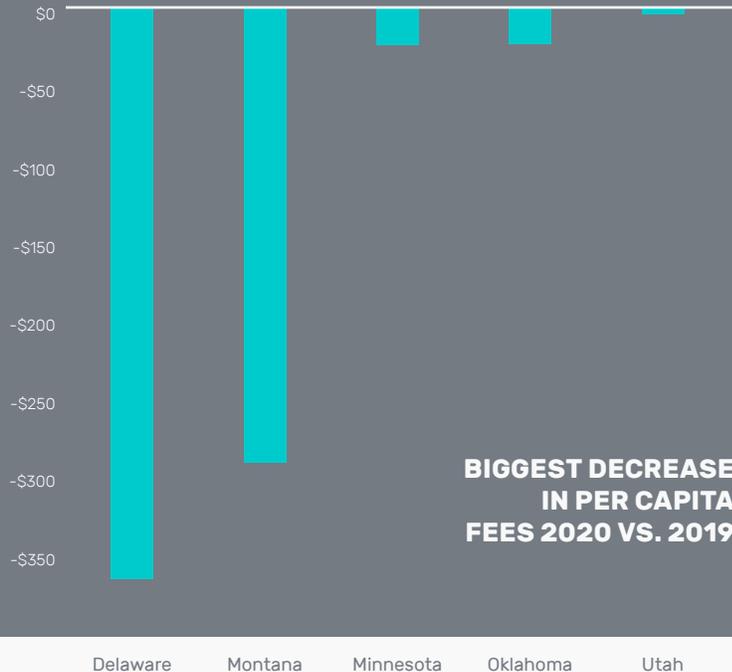
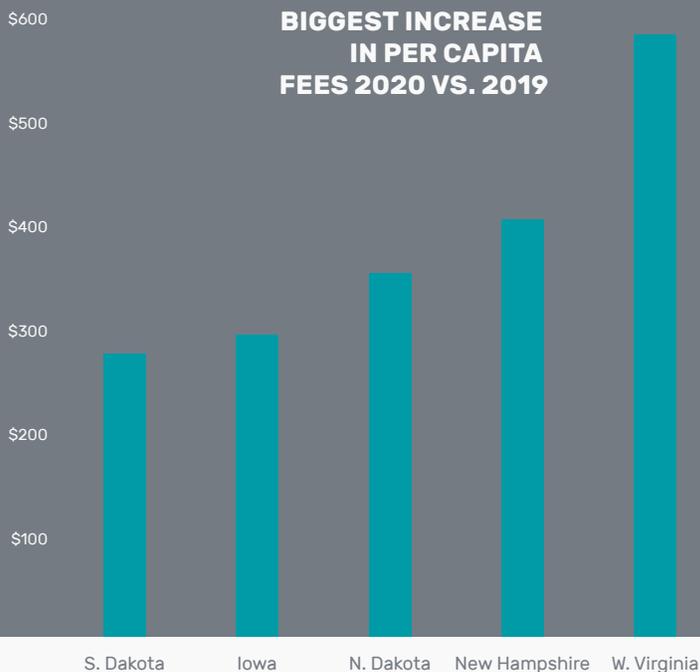
States with the highest per capita fees in 2019 included Mississippi, Kansas, Virginia, Maine and Delaware. Delaware's fees, at a whopping \$807.25, were almost double the number five state, Mississippi, with \$407.56.



States with the lowest fees in 2019 included New Hampshire, Arkansas, Alaska, Hawaii and Wyoming. Average per capita fees in New Hampshire totaled a mere \$99.92 while the fifth lowest was Wyoming at \$213.86. In 2020, other than Arkansas, there was a new cast of characters. From lowest to fifth lowest included Montana, Arkansas, Washington, D.C., New Mexico and Maryland. Montana's per capita fees, at \$92.51, came in even lower than New Hampshire's in 2019. However, the spread from lowest to fifth lowest increased in 2020, the fifth highest state was Maryland at \$315.38, a delta of approximately \$220 versus a delta from lowest to fifth lowest in 2019 of roughly \$113.



During 2020, other than Maine, the landscape changed. These "leaders" included North Dakota, Kentucky, South Dakota, Maine and West Virginia. The spread between the highest and fifth highest was much narrower - North Dakota per capita fees totaled \$580.89 while West Virginia's reached \$799.47, a delta of just \$219.



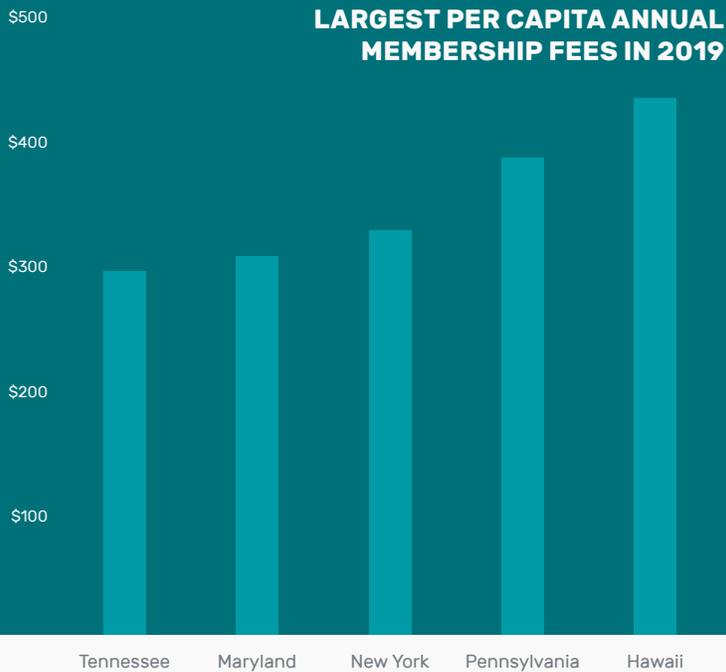
And what a difference a year makes. Total per capita fees in West Virginia jumped \$579.09, a more than 360% increase from \$220.44 in 2019, to \$799.476 in 2020. Fees in New Hampshire rose an astounding 501%, or \$401.02, from \$99.92 in 2019 to \$500.94 in 2020.

At the other end of the spectrum, total per capita fees in Delaware dropped \$366.09, or 45%, from \$807.25 in 2019 to \$441.16 in 2020. Montana's fees decreased 86% from \$383.86 in 2019 to a mere \$92.51 in 2020.

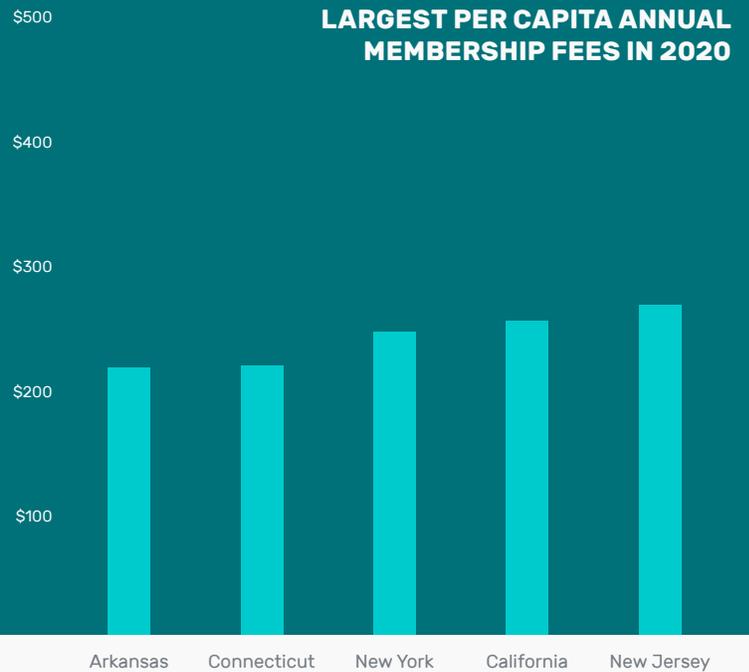
NOT ALL FEES ARE ALIKE!

Each type of fee performed differently in 2020 over 2019, driven by changing consumer behaviors caused by the pandemic. The jump in overdraft fees caused by households where one or more breadwinners either lost their jobs or had their time cut back is most dramatic, but by far not the only change in fees. In this section, we review each type of fee and its performance in the 2019 - 2020 timeframe. For a few fee types, there was an insufficient amount of activity to complete an accurate analysis. These include balance transfer fees, cash advance fees, excess activity fees and foreign transaction fees.

LARGEST PER CAPITA ANNUAL MEMBERSHIP FEES IN 2019



LARGEST PER CAPITA ANNUAL MEMBERSHIP FEES IN 2020



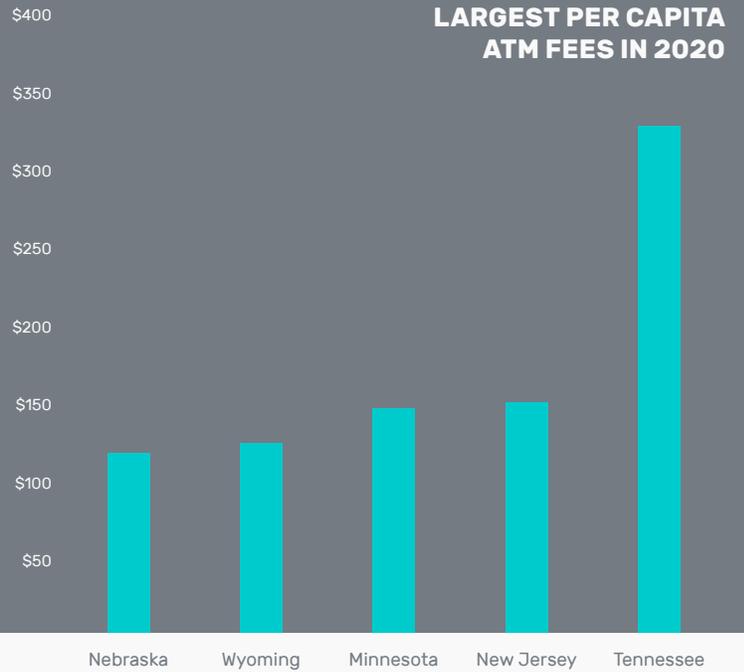
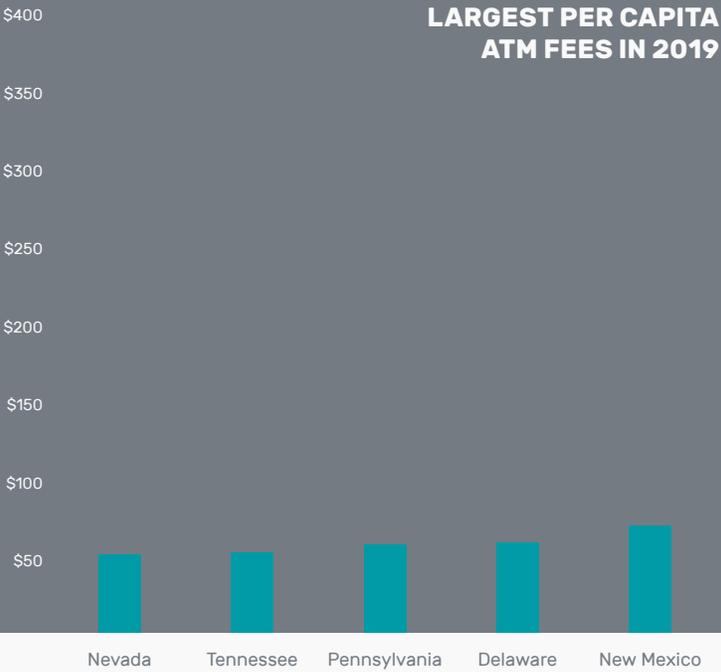
ANNUAL MEMBERSHIP FEES ▼

Per capita annual membership fees actually dropped \$63.04, or 28%, in 2020 over 2019, as consumers largely cut back on out-of-home activities. States with the largest annual membership fees in 2019 included Hawaii, Pennsylvania, New York, Maryland and Tennessee, while the states with the lowest fees included Montana, Alaska, West Virginia, North Dakota and Oklahoma.

Millions of Americans also experienced involuntary credit card account closures during the spring and summer months as financial institutions tried to curb losses.

In 2020, the picture changed. States with the largest fees were New Jersey, California, New York, Connecticut and Arkansas; those with the lowest included Alaska, Vermont, Wyoming, Montana and North Dakota.

It's no surprise that annual membership fees were one of several fees that declined in 2020. Various reports indicate that account closures were widespread and openings were down, both of which likely attributed to the dip. According to the [Federal Reserve Bank of New York](#), credit card debt across U.S. households decreased \$76 billion in Q2 and another \$10 billion in Q3, which potentially led to voluntary account closures. Millions of Americans also experienced involuntary [credit card account closures](#) during the spring and summer months as financial institutions tried to curb losses. Credit reporting company [Experian](#) reported that the number of accounts opened in 2020 decreased nearly 50% to 12 million compared to 21 million in 2019. Unsurprisingly, demand was down as travel and leisure activities screeched to a halt; cards that formerly rewarded customers for flights, car rentals, hotel stays, and dining in at restaurants no longer fit the new normal.



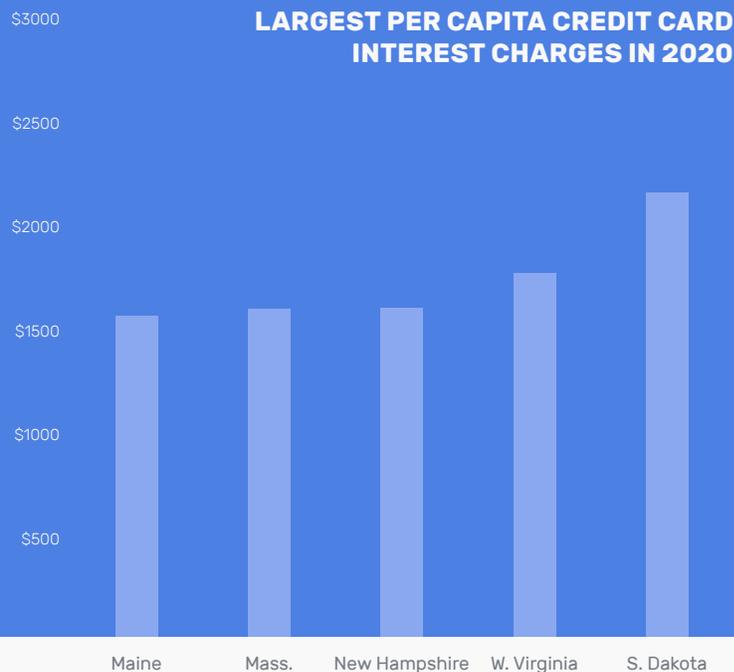
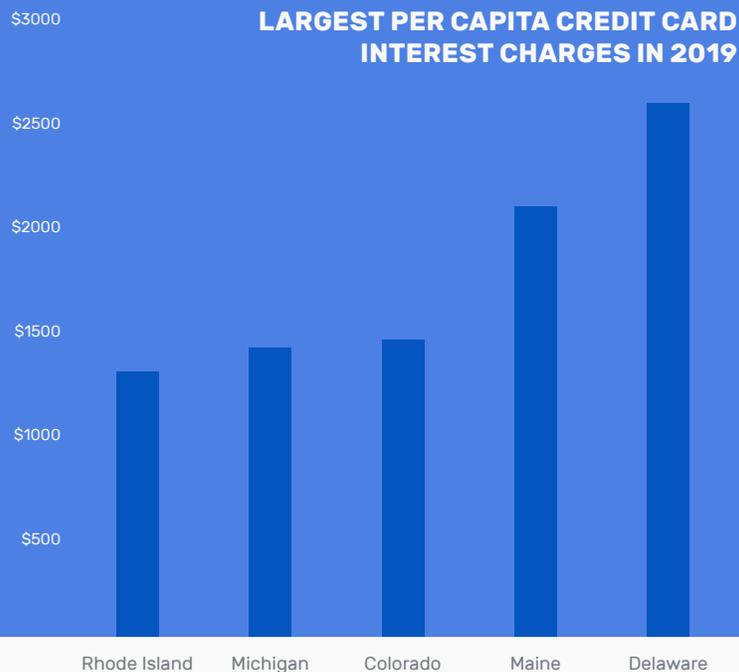
ATM FEES

Per capita ATM fees rose \$16.29, or 55%, in 2020 over 2019, with fees increasing from \$29.85 to \$46.14. New Mexico led the pack in ATM fees with per capita charges of \$68.71, followed by Delaware, Pennsylvania, Tennessee and Nevada. Kansas, Hawaii, Nebraska, Utah and Alaska counted as the states with the lowest per capita fees; in Kansas, these were just \$5.00.

Consumers may have cut down on ATM fees that normally would have accumulated during nights out on the town or out-of-network machine usage abroad, but ATM fees accrued in other ways.

The largest per capita ATM fees in 2020 were in Tennessee, at \$324.80. The other highest ATM fee states included New Jersey, Minnesota, Wyoming and Nebraska. Lowest states included Idaho, Kansas, Delaware, Alaska and Maine.

Restaurants and shops weren't the only brick-and-mortar businesses to shutter during the pandemic, whether temporarily or permanently – financial institutions were alongside them. Consumers may have cut down on ATM fees that normally would have accumulated during nights out on the town or out-of-network machine usage abroad, but ATM fees accrued in other ways. Branches with slashed or reduced hours redirected customers to online platforms and ATMs for most of their banking needs; on top of that, consumers sought out cash withdrawals from ATMs as a means of security amidst the dual economic and health crises.



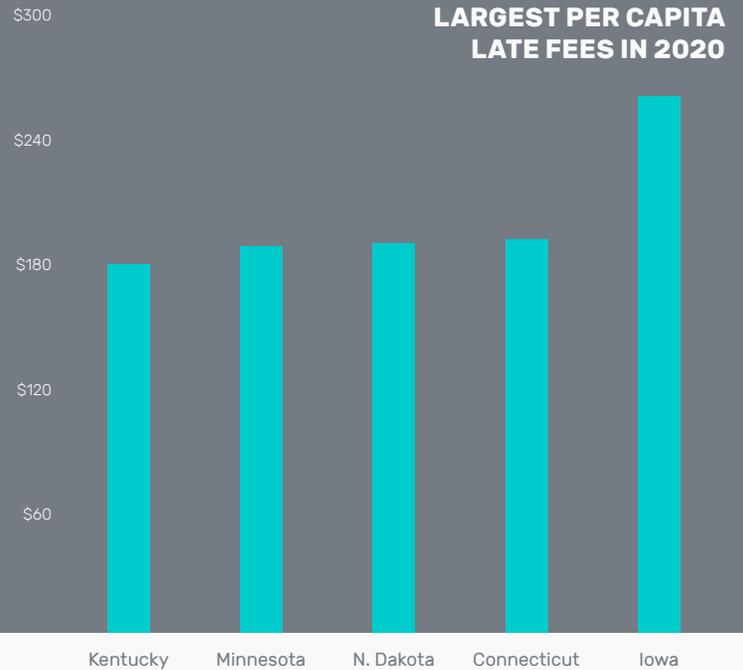
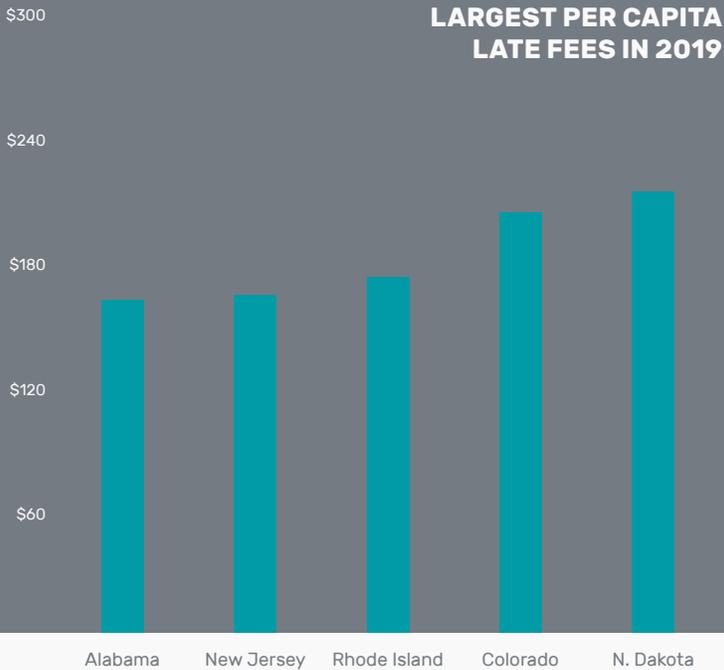
CREDIT CARD INTEREST CHARGES ^

Credit card interest charges were the largest fees per capita that consumers paid in both 2019 and 2020. People paid on average \$965.17 in 2019, which jumped to \$1,136.21 in 2020, a leap of 17%. Delaware consumers had the dubious distinction of paying the most in per capita credit card interest charges, at \$2,562.99, followed by consumers in Maine, Colorado, Michigan and Rhode Island. Consumers in Alaska enjoyed the lowest per capita credit card interest charges at \$37.34, with consumers in New Hampshire, Arkansas, New Mexico and Alabama also benefitting from lower fees. However, credit card interest fees increase rapidly from the lowest to fifth lowest position: Alabamans paid \$429.16 in credit card interest charges, more than 10x their Alaskan brethren. In 2020, the highest per capita credit card interest charges jumped to \$2,134.84 charged in South Dakota. The other top five states for fees included West Virginia, New Hampshire, Massachusetts and Maine. Vermonters enjoyed the lowest fees at just \$17.04, with consumers in Wyoming, Montana, Alaska and Arkansas also benefitting from low credit card interest fees.

Credit card interest is one of the most common charges that Cushion detects on users' accounts, second only to overdraft fees.

Credit card interest is one of the most common charges that Cushion detects on users' accounts, second only to overdraft fees. Our data indicates that Northeasterners suffer the most from these charges, with Delaware, Maine, Rhode Island, New Hampshire, and Massachusetts taking top spots throughout 2019 and 2020; a recent survey of 2,005 Americans conducted by OnePoll on behalf of Cushion reflects similar sentiments. According to the survey, more than 50% of people in northeastern states worry often or constantly about making the minimum payment on their credit cards, while that number hovers around 37% for southern states and 28% for western.

It's true: [Americans paid down](#) a significant amount of credit card debt throughout 2020. Although higher income individuals carry the most credit card debt in the U.S., their debts represent a smaller percentage of their income than that of lower income individuals. So, while higher income individuals may have been able to pay off debts and even save during the pandemic, lower income folks were hit harder by debt and credit card interest charges. People who had higher debt or relied more heavily on credit cards before the pandemic continued to do so throughout 2020, only widening the wealth gap as they used credit for lofty college tuition charges and essential recurring costs, such as power and cell phone bills – things they say they would've paid with debit only a year prior.



LATE FEES

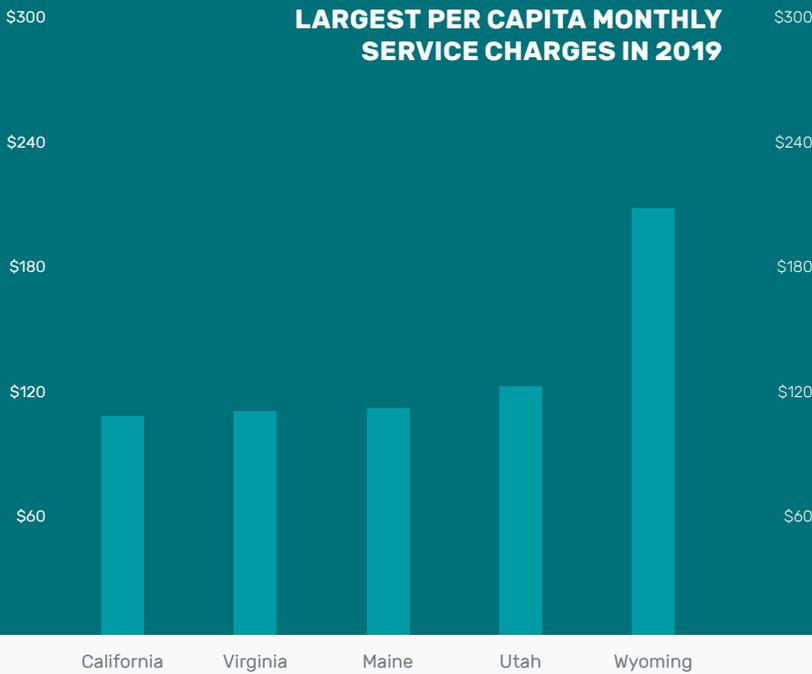
Late fees dropped in 2020 over 2019 by per capita \$6.61, a decrease of 5%. States with the highest per capita late fees in 2019 were led by North Dakota at \$212, with Colorado, Rhode Island, New Jersey and Alabama making up the top five states. The lowest late fees were found in Montana at \$27.00 per capita. The other lowest states included Wyoming, Hawaii, Iowa and Kansas.

With more people paying down their debts and others focusing on solely essential spending, there was a higher chance that consumers were determined to make at least the minimum payments on their credit cards, resulting in fewer late fees.

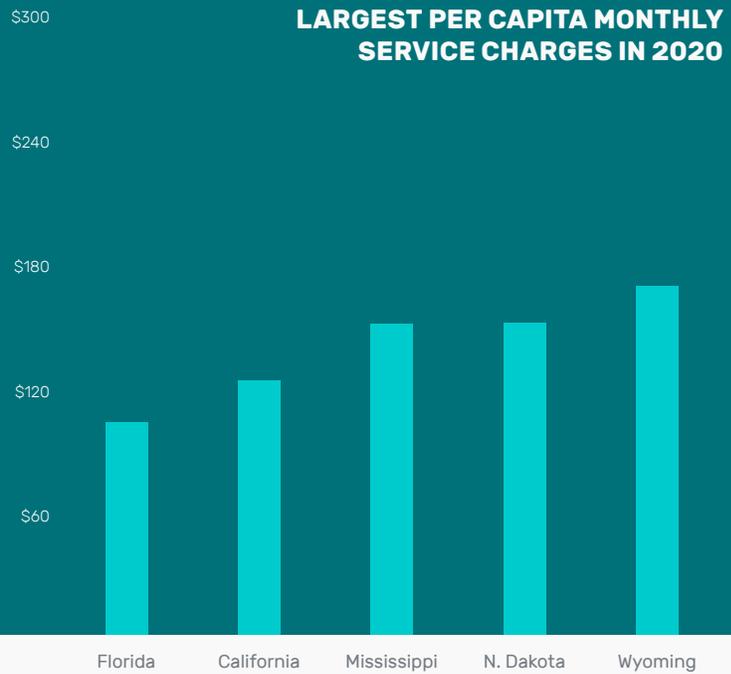
Iowa consumers paid the most per capita late fees in 2020 at \$258.05, other high late fee states included Connecticut, North Dakota, Minnesota and Kentucky. Vermonters paid the lowest late fees at \$27.71, with the other lowest fee states including Washington, D.C., Rhode Island, Wisconsin, Wyoming and West Virginia.

It's a surprise that late fees decreased in 2020, even if only slightly (5%), but there are a couple of reasons why this might have happened. First, amidst the pandemic, banks, credit card companies, and other financial institutions may have been more lenient or willing to defer credit card payments without penalty, especially in the early months of the pandemic. This would have cut down late fees significantly. Second, credit card debt and usage decreased in 2020. Consumers lowered or paid off their debts, possibly closing credit card accounts entirely, and others were forced to reduce leisure spending to free up funds for essential costs. With more people paying down their debts and others focusing on solely essential spending, there was a higher chance that consumers were determined to make at least the minimum payments on their credit cards, resulting in fewer late fees.

LARGEST PER CAPITA MONTHLY SERVICE CHARGES IN 2019



LARGEST PER CAPITA MONTHLY SERVICE CHARGES IN 2020



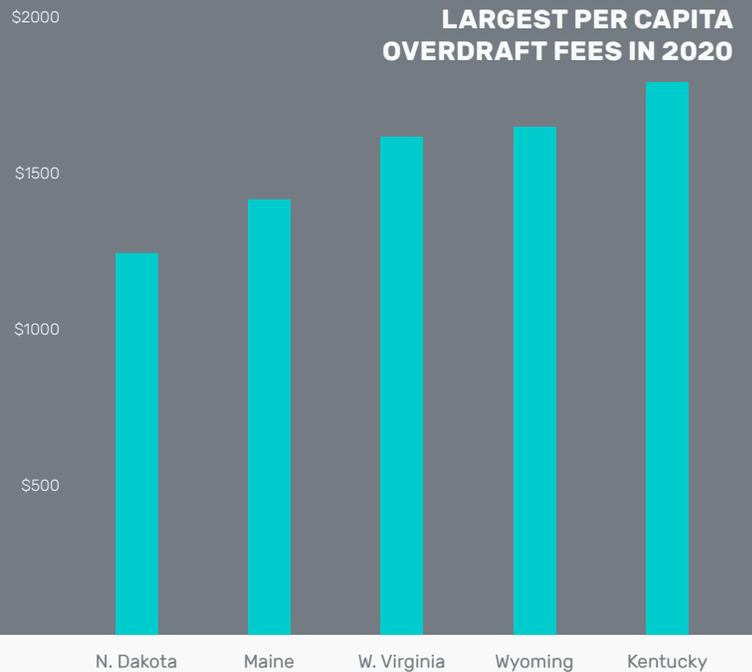
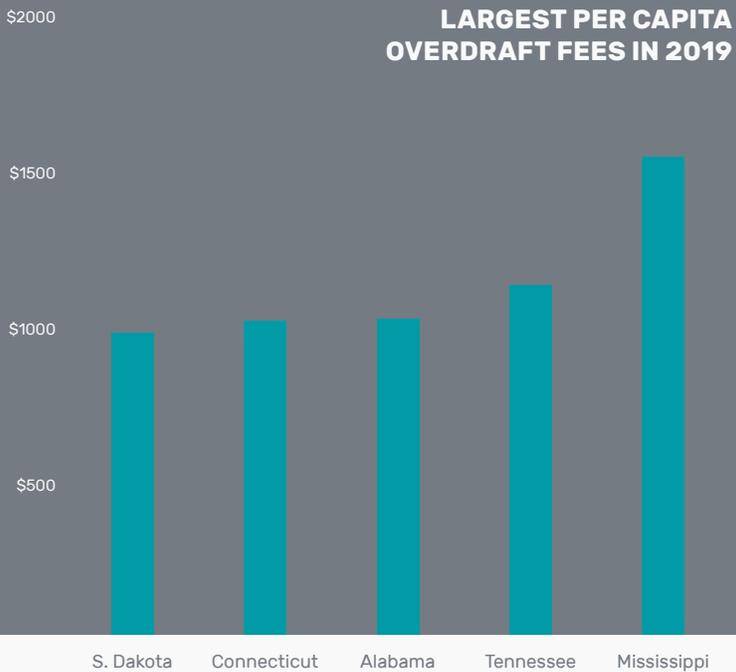
MONTHLY SERVICE CHARGES ▼

Monthly service charges were essentially stagnant in 2020 versus 2019, decreasing on a per capita basis just \$1.56 or 2%. Those in Wyoming paid the most monthly service charges at a per capita \$204.80, followed by Utah, Maine, Virginia and California. The lowest monthly service charges were paid in Mississippi at just \$7.67, other low fee states included North Dakota, Idaho, South Dakota and New Hampshire.

Monthly service charges, or the fees that banks charge customers each month to keep an account open with them, largely remained the same.

In 2020, Wyoming consumers again topped the list and paid the highest monthly services charges at \$167.60, with consumers in North Dakota, Mississippi, California and Florida not far behind. Arkansas consumers paid the lowest monthly service charges in 2020 at just \$10, rising to \$28.50 in Hawaii, with Delaware, Kansas and Maine citizens paying in between.

Unlike the Great Depression, when a wave of anxious consumers rushed to the banks to withdraw cash, Americans had a higher level of trust in their banks this time around. In fact, according to a survey conducted by DepositAccounts.com, people trusted their banks more than they trusted the U.S. government during the COVID-19 pandemic. For the most part, consumers and their bank accounts continued business as usual. Therefore, monthly service charges, or the fees that banks charge customers each month to keep an account open with them, largely remained the same.



OVERDRAFT FEES

Overdraft fees were the second largest per capita fees consumers paid in both 2019 and 2020, exceeded only by credit card interest charges. Overdraft charges totaled \$697.77 in 2019 and \$779.22 in 2020, an increase of \$81.45 or 12%. Mississippi had the highest per capita overdraft fees at \$1,531.30, with Tennessee, Alabama, Connecticut and South Dakota representing the next four states. States with the lowest in 2019 included Hawaii along with Delaware, Nebraska, Wyoming and Kansas.

Overdraft fees account for more than half of the fees that Cushion detects on users’ accounts, and according to a recent survey, they are also one of the most stress-inducing bank fees for consumers.

In 2020, Kentucky led the pack with per capita overdraft fees of \$1,771.48. The next four highest states for these fees included Wyoming, West Virginia, Maine and North Dakota. States with the lowest overdraft fees in 2020 included Montana (\$186.13), with Vermont, Hawaii, Kansas and Oregon rounding out the bottom five.

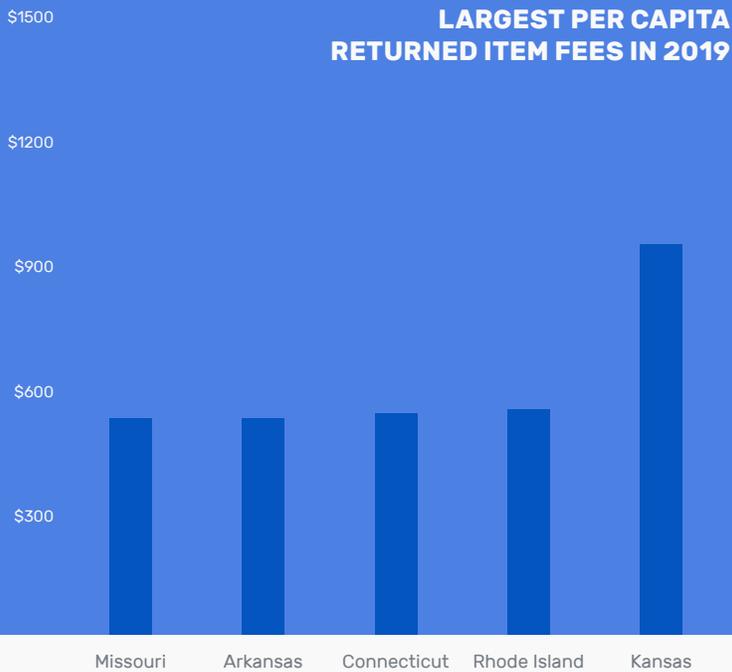
Among states with the lowest fees, there is a dramatic difference between 2019 and 2020. Hawaii had the lowest fees in 2019 at just \$35.50, but the lowest fees in 2020, Montana, totaled a whopping \$186.13, indicating an across the board rise in overdraft fees.

Overdraft fees account for more than half of the fees that Cushion detects on users’ accounts, and according to a recent survey, they are also one of the most stress-inducing bank fees for consumers. 31% of Americans experience frequent close calls where they don’t know whether or not they have enough money in their bank account to cover an upcoming expense. Of those close calls, consumers overdraft their account 1-in-3 times.

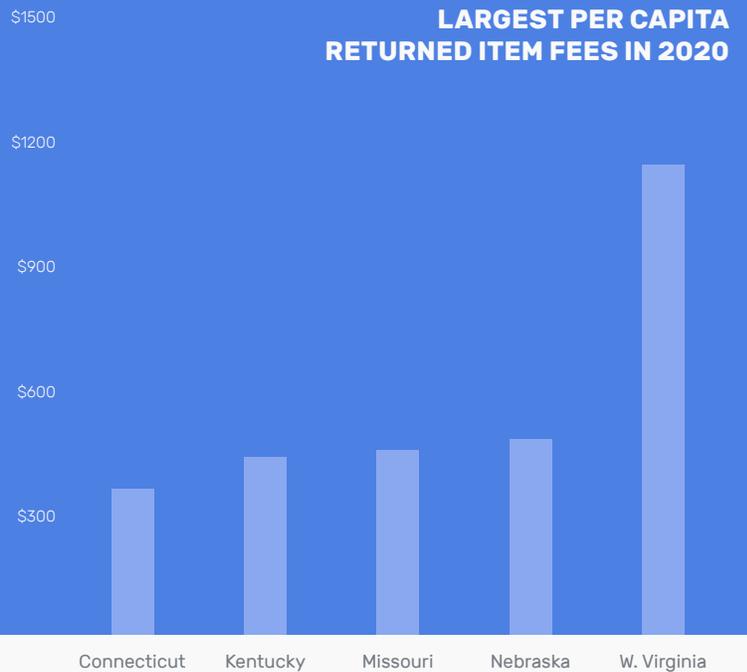
Overdrafting has long been an issue for consumers. The pandemic only increased the frequency of charges and heightened their effects on consumers’ financial health. At the onset of the pandemic, overdraft fees initially dropped as financial institutions, landlords, utility companies, and other billers scrambled to offer relief for their customers. Consumers went from paying an average of \$50 on overdraft fees in March 2020 to \$37 in April. By December, that number had more than doubled – consumers were then paying an average of \$99.16 on overdraft fees per month, or the equivalent of about three overdraft fees.

Billers and financial institutions that had initially offered relief or deferral programs switched up their strategies: Everyone was charged, and the customers who needed financial assistance were responsible for reaching out for help. Financially, physically, and emotionally drained, many consumers failed to reach out for assistance, and overdraft fees piled up as a result.

LARGEST PER CAPITA RETURNED ITEM FEES IN 2019



LARGEST PER CAPITA RETURNED ITEM FEES IN 2020



RETURNED ITEM FEES ✓

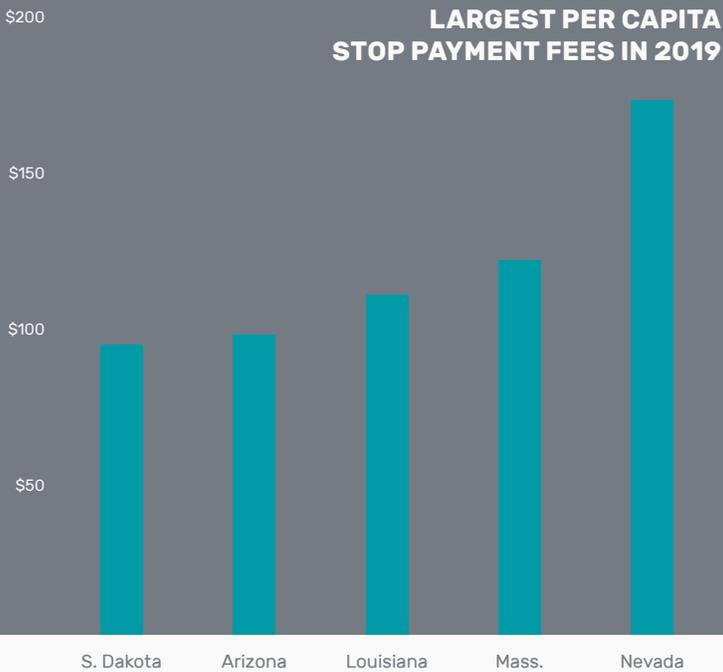
Per capita returned item fees saw the second most significant reduction in 2020 versus 2019. Standing at \$254.81 in 2019, these fees dropped to \$196.20 in 2020, a decrease of \$58.61 or 23%. Kansas consumers paid the largest returned item fees in 2019, totaling \$938.67 per capita. The other top five states with the highest fees included Rhode Island, Connecticut, Arkansas and Missouri. States with the lowest per capita returned item fees were led by Iowa (\$34.50) along with Alaska, New Hampshire, Idaho and Hawaii.

It is clear why returned item fees would decrease during the pandemic while overdraft fees would increase dramatically: Banks and creditors were more willing to let customers overdraw their accounts.

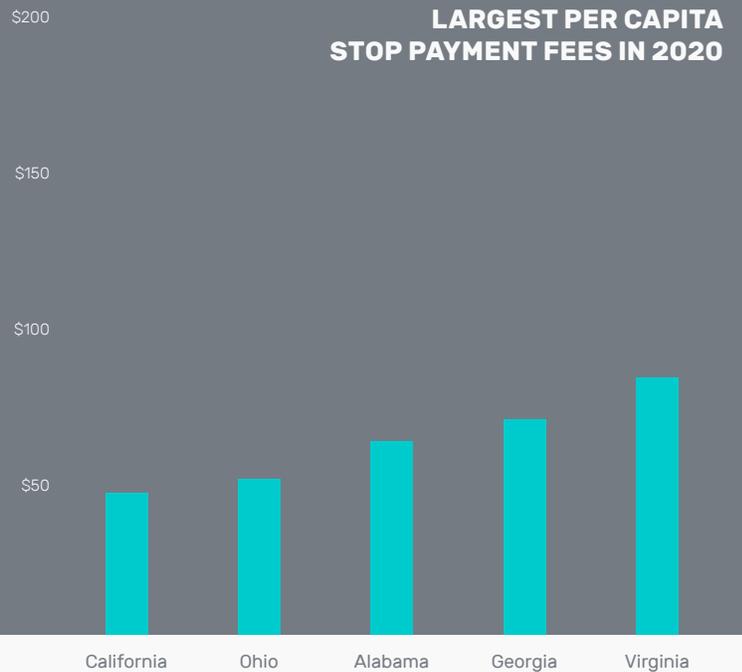
For 2020, West Virginians endured the highest returned item fees, paying per capita \$1,130.00. The other top five states included Nebraska, Missouri, Kentucky and Connecticut. States with the lowest fees in 2020 included Delaware (\$20.00), Montana, Washington, D.C., Rhode Island and Kansas.

Often confused with overdraft fees, returned item fees (or NSF fees) are charged by banks and creditors when an attempted charge or payment does not clear an account. With overdraft fees, the bank will spot the transaction, whereas with a returned item fee, it will be declined. It is clear why returned item fees would decrease during the pandemic while overdraft fees would increase dramatically: Banks and creditors were more willing to let customers overdraw their accounts. The alternative would have been to decline purchases, resulting in no food, power, water, and other necessities for many Americans. Unfortunately, some people did lose access to these basics over the course of the pandemic, but the number could have very well been greater.

**LARGEST PER CAPITA
STOP PAYMENT FEES IN 2019**



**LARGEST PER CAPITA
STOP PAYMENT FEES IN 2020**



STOP PAYMENT FEES ▼

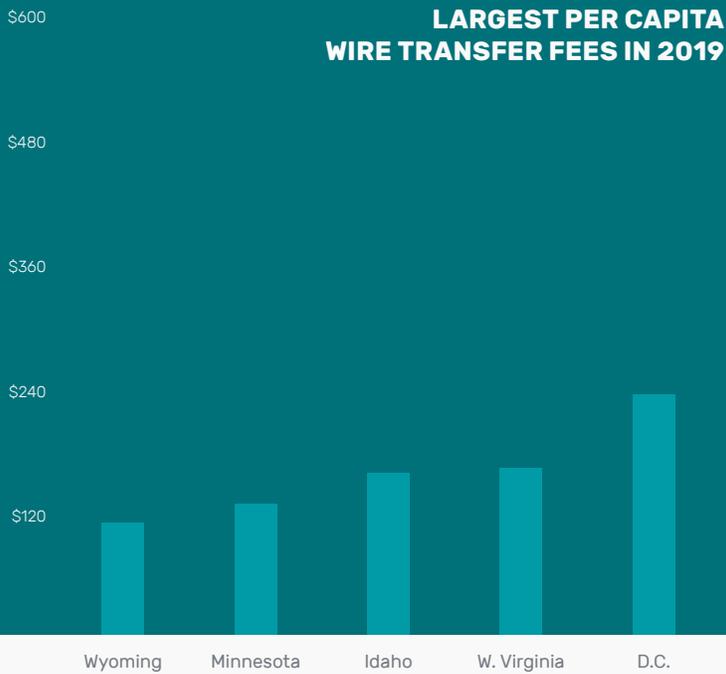
Stop payment fees totaled \$53.12 per capita in 2019 and decreased to \$41.65 in 2020, due to decreased purchasing activity among consumers. The highest fees were paid by Nevada consumers at \$171.43, with those living in Massachusetts, Louisiana, Arizona and South Dakota rounding out the top five. States with the lowest fees were tightly bunched in the \$29.00 - \$30.00 range and included Ohio, Oklahoma, Rhode Island, Tennessee and Washington.

The decrease in stop payment fees could be interpreted as a direct reflection of limited consumer spending and increased overdraft fees.

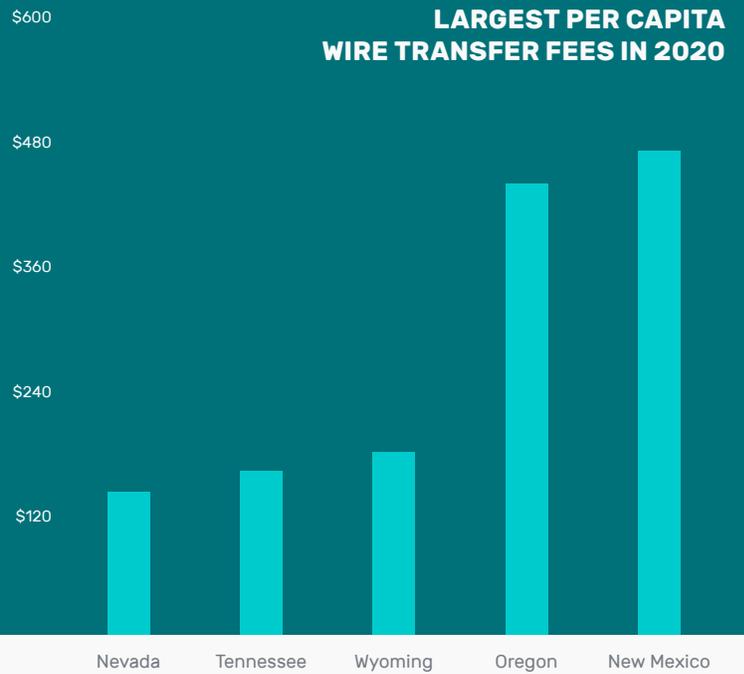
Highest stop payment fees per capita were paid by Virginians in 2020, at \$82.33, followed by Georgia, Alabama, Ohio and California. The lowest fees were enjoyed by Indianans and Oregonians at \$25, and followed by Colorado, Nebraska and Maryland.

The decrease in stop payment fees could be interpreted as a direct reflection of limited consumer spending and increased overdraft fees. In 2020, consumers likely limited their spending to the essentials, at least in the early months of the pandemic, which would have resulted in fewer people needing to halt payment on unnecessary expenses. If consumers were mainly allowing essential charges to go through – such as rent, utilities, and phone and internet bills – even if it meant overdrafting their account, it was likely intentional.

LARGEST PER CAPITA WIRE TRANSFER FEES IN 2019



LARGEST PER CAPITA WIRE TRANSFER FEES IN 2020



WIRE TRANSFER FEES ^

Wire transfer fees on a per capita basis remained essentially flat in 2020 over 2019, rising from \$72.35 to \$75.26 or just \$2.91. D.C. residents paid the highest per capita fees at \$231, with the other top five including West Virginia, Idaho, Minnesota and Wyoming. States with the lowest fees in 2019 included Arkansas (\$15) Missouri, Michigan, Kentucky and Indiana.

The slight increase in wire transfer fees may be attributed to more people sending funds to friends and family to alleviate financial distress that resulted from the pandemic.

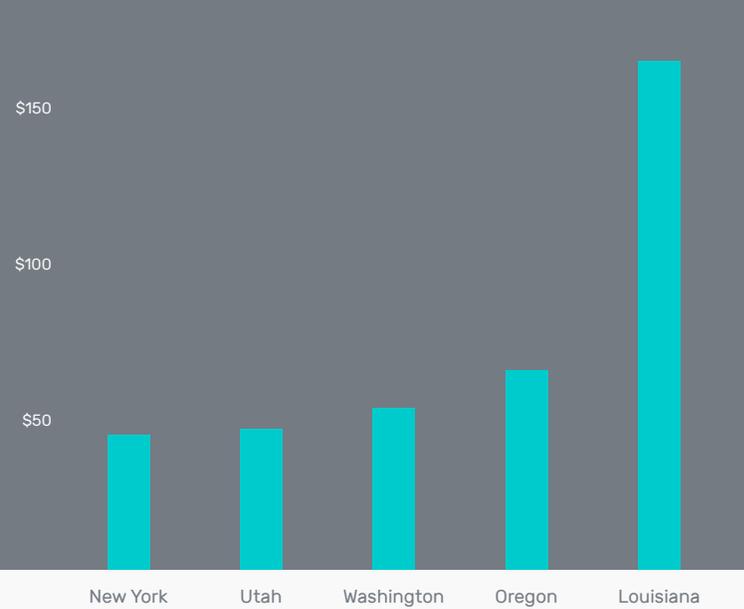
In 2020, the picture changed. New Mexicans paid the highest wire transfer fees per capita at \$465, followed by residents of Oregon, Wyoming, Tennessee and Nevada. People enjoying the lowest fees were led by New Hampshire (\$13) and included Louisiana, Minnesota, Maryland and South Carolina.

Wire transfers can be an expensive way to get funds from here to there, and in today's day and age, there are a number of other ways to transfer money at a lower cost. However, wire transfers are generally reliable and secure, so if someone has a specific reason for wiring funds, they likely would be just as willing to do it during the pandemic as they were before the pandemic. The slight increase in wire transfer fees may be attributed to more people sending funds to friends and family to alleviate financial distress that resulted from the pandemic.

LARGEST PER CAPITA WITHDRAWAL LIMIT FEES IN 2019



LARGEST PER CAPITA WITHDRAWAL LIMIT FEES IN 2020



WITHDRAWAL LIMIT FEES ^

Withdrawal limit fees grew from \$28.167 in 2019 to \$39.20 in 2020, an increase of \$11.03 or 39%. States with the highest fees included Kansas (\$90.00) followed by Oklahoma, Nevada, Pennsylvania and Virginia. At the low end of the fee range, Minnesotans paid a paltry \$5.00 in per capita withdrawal limit fees, with citizens of Missouri, New Mexico, Rhode Island and Utah not far behind.

Throughout the pandemic, people withdrew more funds from their savings accounts more frequently, subsequently driving up the average withdrawal limit fees charged per person.

In 2020, Louisiana residents paid the highest per capita withdrawal limit fees (\$163.00), followed by Oregon, Washington, Utah and New York. Consumers in New Mexico and Tennessee enjoyed the lowest fees (\$5.00), followed by Kentucky, Idaho and Indiana.

As Americans' employment status changed and medical bills piled up, many people were forced to dip into their personal and emergency savings accounts to stay afloat. According to a recent [Bankrate](#) survey, 35% of people said their emergency savings was lower in the summer of 2020 than it was before the pandemic began, and households earning less than \$50,000 per year appeared to be the most negatively affected. Throughout the pandemic, people withdrew more funds from their savings accounts more frequently, subsequently driving up the average withdrawal limit fees charged per person.

CONCLUSION

As the pandemic passes its one-year mark, a couple of things are certain: A coalition of vaccines inch the world closer to a world free from COVID-19, and the unemployment rate steadily continues to decline. *Hope.* However, some things remain uncertain. On one hand, how will financial institutions handle a year of financial losses? Hiking fees could be one solution. On the other hand, how will consumers handle a rebounding economy and restored wages and salaries? Will they satisfy their pent-up demand for buying and traveling, or will they create and grow emergency funds in preparation for the next “rainy day”?

Cushion urges consumers to redouble their efforts to stay on top of their personal finances. Keeping track of fees is a large part of that effort.

