

Helping consumers who have been denied checking accounts

When a consumer is denied an account at a bank or credit union, it may be because of information included in his or her checking account report.

These reports, compiled by checking account reporting companies, contain information reported by banks and credit unions about problems customers have had with their checking accounts in the past. Other banks and credit unions then use these reports when deciding if they want to open up new accounts for potential customers. If you or someone you are helping has been denied an account, there are steps you can take to make sure the information in the report is correct and to get back into the banking system.

How do banks and credit unions use these reports?

When a consumer applies for a new account, banks and credit unions review the checking account report to see if the person who wants an account has had trouble managing an account in the past. The bank or credit union may consider a person with prior account problems risky. Banks and credit unions typically get these reports from one of two checking account reporting companies—ChexSystems or Early Warning Services.

These companies play a similar role for checking accounts that the nationwide credit reporting companies (like Equifax, TransUnion, and Experian) play for mortgages, auto loans, credit cards, and other types of credit. If someone you are

helping has negative reporting from one of these companies, it's probably because they have had a checking account in the past and:

- Have an unpaid negative balance on that account, such as from an overdraft, and the account was closed by the bank or credit union (this is called an "involuntary closure").
- Were suspected of fraud related to a checking account.
- Had a joint account with someone else who had these types of problems.

Note that banks and credit unions must also screen customers to comply with Bank Secrecy Act and Anti-Money Laundering requirements, and they may also look at other reports, such as a credit report, during the account application process.

What information is in a checking account report?

Checking account reports will generally provide some or all of the following information:

- A list of prior accounts and contact information for the providers of information about those accounts,
- Whether there was a "negative closing balance" associated with any of the reported accounts, meaning that the bank or credit union reported that the consumer owed money when the account was closed. This includes negative balances resulting from unpaid fees,

- The current status of any reported negative balances (paid or unpaid),
- Reason codes to indicate why an account was closed with a negative balance,
- Personal information to allow matching of reports with consumers, such as social security number and address information,
- A record of account inquiries from other financial institutions where the consumer applied for an account, and
- Information from public records.

Checking account reporting companies generally lump negative checking account behavior into two broad categories—account abuse and suspected fraud. Account abuse is when a bank believes that a consumer has not complied with the terms of that account (e.g., unpaid overdrafts or unpaid fees). Fraud includes instances that the bank or credit union says were intentional consumer fraud (e.g., check fraud).

How does someone dispute an error in a checking account report?

Checking account reporting companies must comply with the federal Fair Credit Reporting Act (FCRA). This means they must take steps to assure that the information they provide to the banks is as accurate as possible, and they can't include most negative information that's more than seven years old (some checking account reporting companies disregard information once it's five years old).

The checking account reporting companies must give each consumer an opportunity to review his or her report. Consumers have the right to a free annual report from each nationwide reporting company upon request and a free copy of any report used in a decision to deny an account. Consumers can check

the report for errors, and have the right to dispute incorrect information with both the checking account reporting company and with the bank or credit union who supplied that information. The checking account reporting companies must work with the banks and credit unions (in this case called the "furnishers") to investigate consumers' disputes of inaccurate information on their reports. If errors are discovered, they are required to update that information.

How can I help someone correct an error on his or her report?

If you need to help yourself or are helping someone else who has been denied a checking account, here are some steps you can take:

1. **Get a copy of the adverse action notice from the bank or credit union:** If a consumer is denied an account based in any part on information from a checking account reporting company, the bank or credit union must give the consumer a notice that includes the name of the reporting company that provided the negative information. This is called an adverse action notice. This notice contains the name and contact information of the checking account reporting company that provided the information used in the denial.
2. **Contact the checking account reporting company to request a free copy of their report:** If someone is denied an account, they are entitled to a free copy of their report within 60 days of receiving the notice. While the contact information should be available on the notice, we are also providing it here.

For ChexSystems, write or call:

ChexSystems, Inc.
Attn: Consumer Relations
7805 Hudson Road, Suite 100
Woodbury, MN 55125
(800) 428-9623

For Early Warning Services, LLC, write or call:

Early Warning Services, LLC
16552 North 90th Street, Suite 100
Scottsdale, AZ 85260
(800) 325-7775

Note: If a different reporting company provided the information, contact that company with the dispute. We've put together a list with contact information for many consumer reporting companies available at http://files.consumerfinance.gov/f/201601_cfpb_list-of-consumer-reporting-companies.pdf

3. **Review the report to look for any errors:** As soon as you receive the report, review it carefully. Checking account reports generally do not provide a high level of detail about the account events that led to negative reporting. It may be necessary to review past account histories in order to determine what happened that led to the negative reporting. Typical inaccuracies can range from personal information being incorrect, to information about the account, such as how much is owed or whether any money is owed at all, to cases of potential identity theft.
4. **If any of the information is incorrect, file a dispute with the bank or credit union:** If the information contained on the report is not accurate or unfamiliar, contact the bank or credit union that provided the inaccurate information to the checking account reporting company. Contact the company in writing and request that they correct it. The CFPB has produced a sample dispute letter available here.
5. **Also file a dispute with the checking account reporting company:** In addition to the bank or credit union, also contact the checking account reporting company to file a dispute. Instructions for how to file a dispute are included with the consumer report. The checking account reporting company is required to contact the furnisher of disputed information and

to conduct an investigation. The CFPB has produced a sample dispute letter available [here](#).

After either a checking account reporting company or a furnisher receives a dispute from a consumer, it is required to provide the consumer with a notice detailing the results of its investigation.

If identity theft is suspected, provide additional documentation: In the case of identity theft, the reporting company or the bank or credit union who supplied the information may ask for additional documents. The company might ask for a copy of a social security card and an identity theft affidavit. The [identity theft affidavit](#) was created by the Federal Trade Commission and you can use it to provide information about your identity theft-related problem. It's good to confirm with the company what information they require and what other steps you can take to stop future identity theft.

What product options are there for consumers who have had trouble managing a checking account in the past?

A person who has accurate negative information on a checking account report may still have choices to get back into the banking system.

A number of banks and credit unions offer lower risk account options. These are typically checking accounts and prepaid cards that are designed not to allow overdrafts. Some of these accounts may limit certain services, such as restricting a consumer's ability to write paper checks, or other limitations.

A "no-overdraft" checking account generally charges a monthly fee. The account is designed to prevent account holders from overdrafting

and from incurring overdraft fees. Because these products are considered less risky, many banks and credit unions may be less reliant on checking account reports when making a decision about a potential customer. As a result, a person may be able to qualify for one of these products even if he or she was denied for another product recently.

Similarly, some banks and credit unions, as well as a number of non-bank providers, offer prepaid cards that can be loaded with cash and that also accept direct deposits and checks. Prepaid cards generally have monthly fees, though providers may reduce or waive those fees if the card regularly receives direct deposits. While these prepaid cards may not currently provide all of the same consumer protections as are required for traditional bank accounts, many prepaid cards offer some of the same useful features associated with standard bank accounts, while effectively preventing overspending and the associated risk of overdrafts and overdraft fees.

There's more information about shopping for accounts in CFPB's guide to selecting a lower risk checking account, and more information about how to get back into the banking system in CFPB's guide (title for returning), and in the [Newcomer's Guide to Managing Money: Selecting financial products and services](#).

Where can I get more information on this and other topics that may affect economically vulnerable consumers?

Go to the website for the [Office of Financial Empowerment](#) to find more resources, guides, tips, and news for economically vulnerable consumers and their families. Or, take a look at some of the frequently asked questions on the subject at [Ask CFPB](#) at <http://www.consumerfinance.gov/askcfpb>



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