

Checking account denials

If you've tried opening a checking account and have been denied, check to see if the information used in that decision was correct. You have the right to know what information is in your consumer report and correct anything that's not accurate.

When a consumer has a negative balance on his her or checking account, such as from an overdraft or unpaid fees, and does not pay it back, the institution usually closes the account. If the account is closed the incident is typically reported to a checking account reporting company, [a type of consumer reporting agency](#). These companies compile information on consumers provided by banks and credit unions. They then use this information to create reports of an individual's prior checking account history. Banks and credit unions can use these reports to decide whether to approve or deny a request for a checking account. If you are denied an account based in any part on information from a checking account reporting company, the bank or credit union must give you a notice that includes the name of that company that provided the negative information.

You may have a negative rating if you had a checking account before and you:

- Have an unpaid negative balance on that account, such as from an overdraft, that you have not repaid 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.

How is your account history used?

When the bank or credit union has closed your account as described above, this "involuntary account closure" is reported to a checking account consumer reporting company. According to federal law, this information can stay on your checking account report for up to seven years, depending on the company (and even if, in the case of overdraft, you later pay back the overdrawn balance). Each bank or credit union has its own policies about the way the information in your banking history report impacts your ability to open an account. This can include the amount of time that has passed since events like an involuntary closure or repeated overdrafts.

Some banks and credit unions require you to pay these old charges and fees before you are allowed to open a new account. In other cases, you may be offered the opportunity to open a lower-risk account that will not allow you to overdraw your account. Some of these accounts restrict certain features, such as check-writing. Financial institutions policies about how and when they use prior negative account history vary widely. So if you get turned away at one place, try another.

What are my rights?

Checking account reporting companies must comply with the federal Fair Credit Reporting Act (FCRA). This means, among other things, that they must take steps to assure that the information they provide to banks is as accurate as possible, and they can't include most negative information that's more than seven years old. In practice, some checking account reporting companies disregard information once it's five years old. All checking account reporting companies must investigate consumers' disputes of inaccurate information on their reports and correct anything that's incorrect. Banks and credit unions that report information to checking account reporting companies also have an obligation to investigate and correct disputed information. Nationwide checking account reporting companies must also provide consumers with one free annual report per year, upon request.

If you've been denied an account, consider taking the following steps:

1. Make sure that the bank or credit union provides you with the information about the checking account reporting company that provided the negative account history that was used to deny you an account.
2. [Contact the reporting company](#) that was used and request a free copy of your consumer report. The bank or credit union should give you the name, address, and phone number of the reporting company.

For ChexSystems you can write or call:

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

For Early Warning Services, LLC, you can write or call:

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

3. Review your consumer report carefully and make sure the information is accurate. Your report should indicate which banks or credit unions have previously provided information to the checking account reporting companies.

TIP: If you find inaccurate information on your report, you may also want to check your other consumer reports, including your credit reports, especially if it appears that the inaccurate information is the result of identity theft. You can check these reports from each nationwide company, for free, once a year at annualcreditreport.com.

4. File disputes with both the checking account reporting company that created the report and with the financial institution that originally provided the inaccurate information. We've prepared sample letters (to [financial institutions](#) or [checking account reporting companies](#)) that can be used to dispute any inaccurate information.
5. Have your social security card and other identifying information ready: If you are a victim of identity theft, the company may require you to provide a copy of your social security card with your dispute. It may also be helpful to include an [identity theft affidavit](#), which was created by the Federal Trade Commission (FTC) to provide a standard way to provide information about unauthorized accounts and activity.

Getting a checking or prepaid account despite a negative account history:

Even if you've been denied an account based on information that is accurate, you may still be able to get access to the financial services that you need. Many banks and credit unions offer checking and prepaid accounts that are designed to reduce risks for both you and financial institution, typically by helping you manage your spending and avoid overdraft and overdraft fees. (Prepaid accounts are available through a number of non-bank providers as well.) Because these products are considered less risky, many financial institutions may be less reliant on checking account reports when making a decision about a potential customer. As a result, you may be able to qualify for one of these products even if you were denied for another product recently. There is more information about shopping for accounts in [CFPB's guide to selecting a lower risk checking account](#) and the [Newcomer's Guide to Managing Money: Selecting financial products and services](#).