

GAO

Report to the Chairman, Committee on
Banking, Housing, and Urban Affairs,
U.S. Senate

May 1997

AUTOMATED TELLER MACHINES

Banks Reported That Use of Surcharge Fees Has Increased



General Government Division

B-275468

May 16, 1997

The Honorable Alfonse M. D'Amato
Chairman, Committee on Banking,
Housing, and Urban Affairs
United States Senate

Dear Mr. Chairman:

This report responds to your request that we gather information on fee-charging practices of banks and thrifts (hereafter referred to as banks) with regard to automated teller machines (ATM) used by individuals who do not hold accounts at the institutions owning the ATMs. Banks and other ATM owners may charge a fee to non-account holders who use the owners' ATMs; this fee is called a surcharge or access fee. According to congressional testimony by senior industry officials, between 1990 and April 1996, 15 states passed laws or issued regulatory rulings prohibiting ATM networks from banning ATM surcharges. With other states considering similar actions, the two primary national networks changed their policy in April 1996 from prohibiting surcharges to allowing their ATM operator members nationwide to assess surcharges.

You were interested in obtaining statistical information on banks' current practice of surcharging. As agreed with your office, the objectives of this report are to summarize our survey data on the (1) number of banks that operate ATMs, and (2) number of these banks that surcharge non-account holders and the amounts of the surcharges assessed.

To answer the objectives, we conducted a statistically representative survey of 246 randomly selected banks throughout the United States. All the estimates presented in this report are based on responses to this survey, which had a response rate of 87 percent. The sample size and composition were determined by the need to obtain a high response rate, as well as by time constraints. To obtain as much information as possible about ATMs and surcharges, we sampled large banks at a higher rate than other banks, because large banks, on average, operate more ATMs. Consequently, the estimates for large banks are more precise, i.e., the estimates have smaller sampling errors. While we also report the less precise estimates with their sampling errors, we do not make comparisons that are not supported by the survey results.

As agreed with your office, we did not include credit unions or nonbank ATM operators in our survey. Through interviews, we did gather

comparable information from four large nonbank ATM operators. We also did not attempt to determine the effect surcharge fees have on the deployment of new ATMs. Finally, this study was not intended to address whether ATM operators are adequately disclosing information on ATM fees to customers.

Results in Brief

On the basis of our survey, we estimate that, as of February 1, 1997, about three-fourths of all banks in the United States operated ATMs. Of the estimated 8,600 banks that operated ATMs as of February 1, an estimated 8,000 had ATMs as of December 31, 1995.¹ In addition, we estimate that, as of February 1, 1997, banks operated about 119,000 ATMs, an increase from the 89,000 ATMs they operated at the end of 1995. Over this period, the reported increases in ATM deployment occurred at both on-premise (i.e., at banking facilities) and off-premise locations (i.e., at locations not at a banking facility).

About one-third of the banks that operated ATMs reported that they imposed surcharges on non-account holders who used their machines. More of the large banks than smaller banks reported surcharging and a greater percentage of the large banks reported that they began surcharging during the past year. Our survey showed that, from the end of 1995 to February 1, 1997, there was an estimated 320-percent increase in the number of ATMs that had surcharge fees, from about 15,400 to about 64,400. For the ATMs with surcharges, the most typical fee was \$1.00. The maximum surcharge fee reported in our survey was \$3.00.

Actual surcharge fees tend to occur in 50-cent increments, e.g., \$1.00, \$1.50, \$2.00. However, a commonly used measure of surcharge fees throughout the industry is a simple average. We calculated the average surcharge fee in two ways: for all ATMs, including those with no surcharge fees, and for only those ATMs with surcharges. We estimated that the average surcharge fee had more than tripled since the end of 1995, from \$0.17 to \$0.62 in 1997 for all ATMs operated by banks, including those with no surcharge fees. The average reported surcharge fee calculated for only those ATMs with surcharges was \$1.14 in 1997, not a significant increase from \$0.99 in 1995.

¹The estimates are unbiased, but the increase in the number of banks that operated ATMs is not statistically significant at a 95 percent confidence level. In other words, on the basis of our sample, the possibility that there was not an increase in the number of banks that operated ATMs is greater than 5 percent.

According to the four large nonbank ATM operators with whom we spoke, the number of ATMs they owned remained about the same in the past year. Three of the four nonbanks reported surcharging. The average fee for the three nonbanks that surcharged increased from \$0.51 in December 1995 to \$0.71 as of February 1, 1997.

Background

Studies done by financial industry groups such as the American Bankers Association and the Bankers Roundtable report that ATMs can perform many of the tasks bank tellers perform, and ATMs are typically available 24 hours a day. The studies report that ATMs are most often used by consumers to make cash withdrawals from personal checking, savings, and other deposit accounts. Some ATMs also enable consumers to carry out financial transactions, such as obtaining product information, making loan payments, purchasing insurance and investment products, accessing lines of credit, and making payments on credit cards.

Consumers can gain access to ATMs by obtaining an electronic fund transfer card from a bank. The card contains a magnetic stripe that is electronically encoded with a cardholder number. The financial institution is to maintain an individual record on each consumer issued a card. The record contains the encrypted personal identification number (PIN) needed to use the card. It also reflects the accounts that can be accessed with the card, usage limits, and the card's expiration date.

The ATM transaction begins when the consumer inserts the card into the ATM. Generally, the consumer enters the PIN; selects the transaction to be performed, such as a cash withdrawal from the consumer's checking account; and enters the dollar amount of the transaction. The terminal sends this information to a processor that determines the institution that issued the card to the consumer. The processor's host computer verifies the PIN for the cardholder and checks to see that the transaction and, in the case of a cash withdrawal, the dollar amount requested are within the usage limits established for that particular consumer and that funds are available. If the transaction conditions are met, the processor sends a message to the ATM terminal to complete the transaction (e.g., dispensing cash to the consumer). At the card-issuing institution, the transaction is posted to the consumer's account and reflected in the monthly statement.

Banks have access to ATM networks that link their ATMs and computer systems so that depositors from any member of the network can access their accounts through any network bank's ATM. There are regional,

national, and international networks. These networks enable ATM users to obtain ATM services over a much wider geographic area than that covered by their own banks' offices or ATMs.

There are fees associated with using ATMs. The fees may or may not be directly passed to the ATM user. Banks may charge their own account holders for using their ATMs; however, a majority of the fees are associated with consumers using ATMs operated by other banks in the network system. There can be up to three different fees charged when non-account holders use ATMs not operated by their own banks. A switching fee is assessed by the ATM network to the user's home bank to pay for processing each of its network transactions and to defray other network operating costs, such as advertising and network security. Banks may choose to absorb this fee or pass it to the ATM user. An interchange fee may be charged by ATM owners to a non-account holder's home bank for handling one of its transactions. If the home bank passes this fee to ATM users, the Federal Reserve's Regulation E requires the users' home banks to inform users—normally when they open an account—that the charges will appear on their bank statements. Finally, a surcharge fee (or access fee) may be charged by ATM owners to ATM users who do not have accounts with them. For surcharge fees, ATM owners may charge users' banks, and the banks in turn pay the fees and then may charge them directly to the users' accounts. The national networks require that, if the fee is passed to the user, the charge appear on the receipt at the cash machine and again on the user's bank statement.

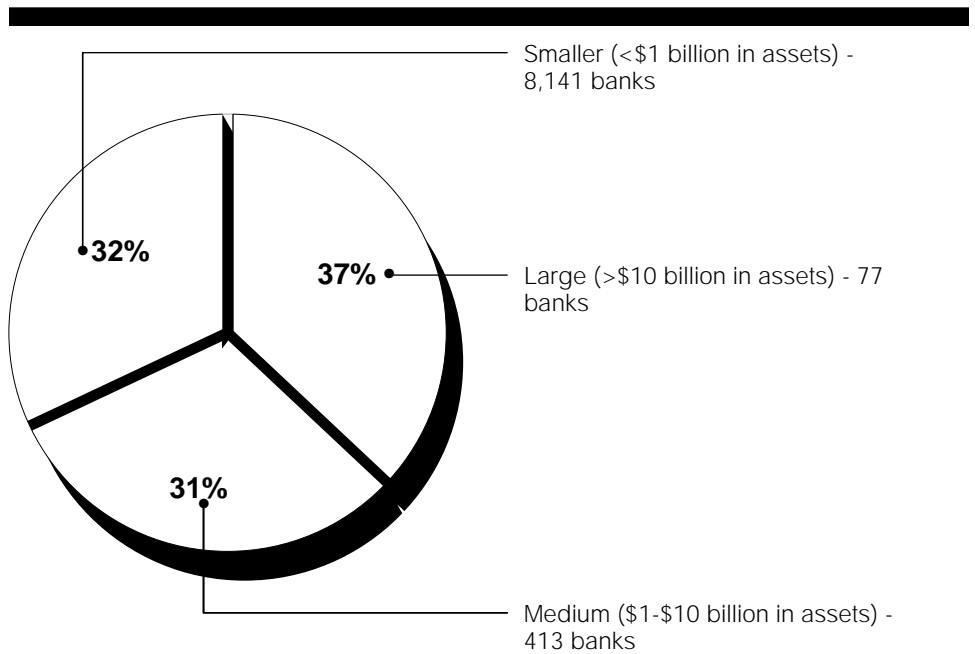
Most Banks Reported Operating ATMs

From our statistical analysis of the survey responses, we estimate that, as of February 1, 1997, about 75 percent (± 14 percent sampling error) of banks in the United States operated ATMs. Of the approximately 8,600 ($\pm 1,700$) banks that reported operating ATMs as of February 1, about 8,000 ($\pm 1,800$) had ATMs as of December 31, 1995.² Our survey results show that for smaller banks—those with assets of less than \$1 billion—69 percent (± 16 percent) had at least one ATM in 1995, while 75 percent (± 15 percent) had at least one ATM in 1997. The percentage of medium and large banks—those with assets of \$1 billion to \$10 billion and those with assets of over \$10 billion, respectively—reporting at least one ATM remained about 90 percent.

²Throughout this report, December 1995 estimates are based on the responses of banks we surveyed in February 1997.

Although large banks account for about 1 percent of the total number of banks that reported operating ATMs, they operate a larger percentage of the total number of ATMs in the United States. As of February 1, 1997, banks operated an estimated 119,000 ATMs in the United States, a statistically significant increase from the estimated 89,000 ATMs they operated at the end of 1995. According to our survey results, as of February 1, 1997, the large banks operated 37 percent of the total ATMs, and the smaller banks operated 32 percent, with medium banks making up the remainder. See figure 1.

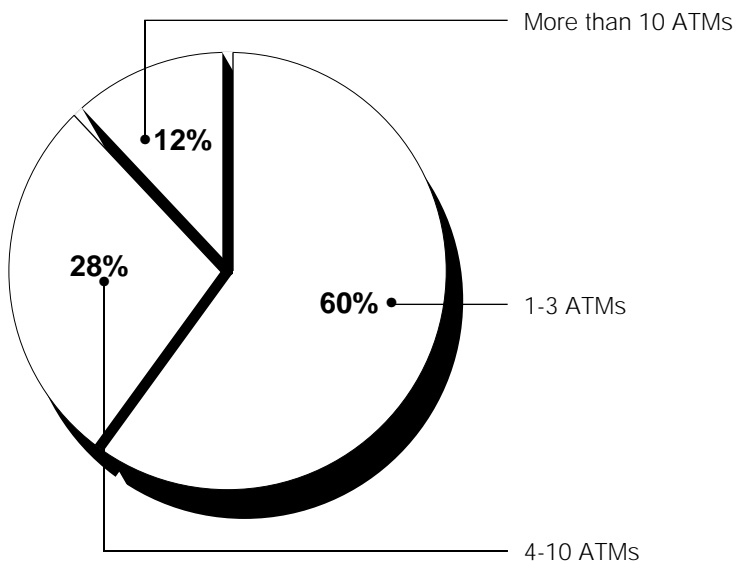
Figure 1: Percentage of ATMs Reported by Large, Medium, and Smaller Banks, 1997



Source: GAO analysis of survey results.

For banks that operate ATMs, large banks reported a median of 346 ATMs in operation, compared to 2 for the smaller banks. Our analysis showed that about 98 percent of these large banks had 26 or more ATMs in operation. As indicated in figure 2, 60 percent (± 16 percent) of banks with ATMs had three or fewer. In our survey, we found that these ATM operators were all smaller banks.

Figure 2: Percentage of Banks That Reported Operating ATMs, by Number of ATMs, 1997



Note: The estimates are subject to sampling errors of up to ± 16 percent.

Source: GAO analysis of survey results.

Banking officials' responses indicated that between the end of 1995 and February 1, 1997, more of the smaller banks began operating ATMs at both on- and off-premise locations, rather than only at on-premise locations. The estimated percentage of smaller banks with both on- and off-premise ATMs was 31 percent (± 17 percent) in 1995 and 46 percent (± 19 percent) in 1997, while about 95 percent of the large banks continued to operate ATMs both on- and off-premises.

Banks indicated that non-account holder transactions across all of their ATMs were 132 million (± 38 million) during January 1996 and 167 million (± 64 million) during January 1997. The average number of these transactions per ATM was 1,624 (± 566) in January 1997, which was not a statistically significant decrease from the 1,774 (± 452) in January 1996.³ Our analysis indicated that 37 percent (± 16 percent) of the banks experienced decreases in the number of non-account holder transactions

³These averages were calculated from reported transaction volume and number of ATMs. Not all banks reported transaction volume.

per ATM during the same period, while 63 percent (± 16 percent) had an increase in their average per ATM non-account holder transactions. We did not attempt to evaluate the impact of surcharge fees on the change in transactions for these two time periods. To do so would have required us to look at factors such as increases in available ATMs, seasonal changes, changes in consumers' shopping patterns, and other factors that may influence consumers' reactions to surcharges.

We could not address the ATM surcharging practices followed by nonbank ATM operators because of the lack of complete data on nonbank operators of ATMs. However, to obtain an indication of nonbank surcharging practices, we obtained surcharge information from four nonbanks that operated ATMs in retail locations. Industry officials told us that these four nonbanks accounted for approximately 80 percent of nonbank ATM operations.

According to the four large nonbank ATM operators with whom we spoke, overall ownership at these large nonbanks increased from 8,527 ATMs to 8,564 between December 31, 1995, and February 1, 1997. Three of the four nonbanks said that the number of ATMs they owned increased by less than 4 percent from December 31, 1995, to February 1, 1997. An official from the other nonbank told us it had had a 15-percent decrease in the number of ATMs it was operating. The official told us that the decrease was attributed to a lost contract.

Banks Reported Use of Surcharge Fees Has Increased

On the basis of our survey, we estimate that 2,900 ($\pm 1,400$) of 8,600 banks that operated ATMs as of February 1, 1997, imposed surcharges, while 1,600 ($\pm 1,100$) of these banks imposed surcharges in 1995. Currently, 57 percent of large banks are surcharging, an increase from the 20 percent that were doing so in 1995. Thirty-two percent (± 16 percent) of the smaller banks were surcharging in 1997, while 20 percent (± 14 percent) of these banks imposed a surcharge in 1995.

The reported number of ATMs that have surcharge fees has also increased since 1995. Our survey showed that, from the end of 1995 to February 1, 1997, there was an almost 320-percent increase in the number of ATMs that had surcharge fees—from about 15,400 ($\pm 6,500$) to about 64,400 ($\pm 16,700$).⁴ The increase included newly deployed or acquired ATMs, as well as old ATMs that previously did not have a surcharge fee.

⁴While about one-third of banks reported surcharge fees, these fees were charged for the use of about 54 percent of the ATMs in service as of February 1, 1997.

Banks indicated that both on-premise and off-premise ATM surcharging has increased since 1995. A higher percentage of the large banks (53 percent) reported that they imposed surcharge fees for use of at least some of their on-premise ATMs than did smaller banks (30 percent \pm 17 percent). In addition, 57 percent of the large banks reported that they imposed surcharge fees for use of their off-premise ATMs, and 32 percent (\pm 18 percent) of the smaller banks surcharged for off-premise ATMs.

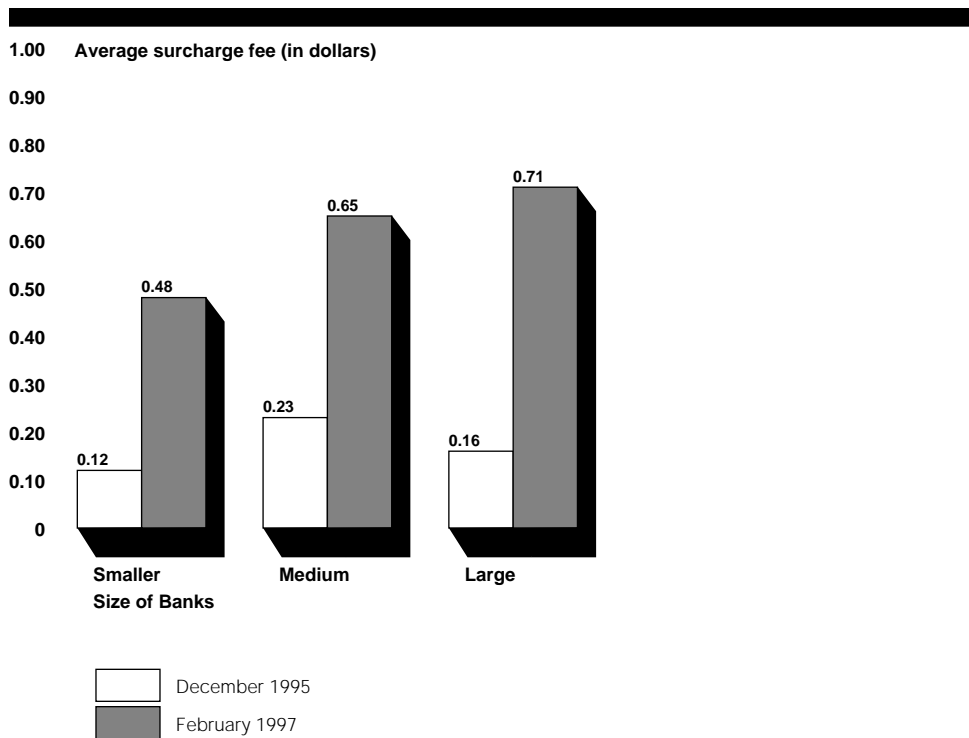
The Average Reported ATM Surcharge Fee Has Increased

According to our survey, the average ATM surcharge fee⁵ has more than tripled since the end of 1995. The average surcharge fee reported by banks was \$0.62 (\pm \$0.10) as of February 1, 1997, which was an increase from the average fee of \$0.17 (\pm \$0.08) assessed in 1995. As shown in figure 3, the average surcharge fee reported by the large banks was \$0.71 (\pm \$0.11) in 1997, while the fee assessed by the smaller banks was \$0.48 (\pm \$0.23). The maximum ATM fee reported in our survey was \$3.00. The average surcharge fee reported by banks that imposed a surcharge fee was \$1.14 (\pm \$0.06) in 1997, while the average fee assessed in 1995 was \$0.99 (\pm \$0.12).⁶

⁵We calculated every average surcharge fee on a per ATM basis. The average surcharge fee calculated for all ATMs included ATMs with a surcharge fee of \$0.00.

⁶The average reported surcharge fee imposed by banks that surcharged was about \$1.14 for both on- and off-premise ATMs in 1997.

Figure 3: Average ATM Surcharge Fees Reported by Large, Medium, and Smaller Banks, 1995 and 1997



Note 1: The average ATM surcharge fees were calculated for all ATMs, including those which have no surcharges.

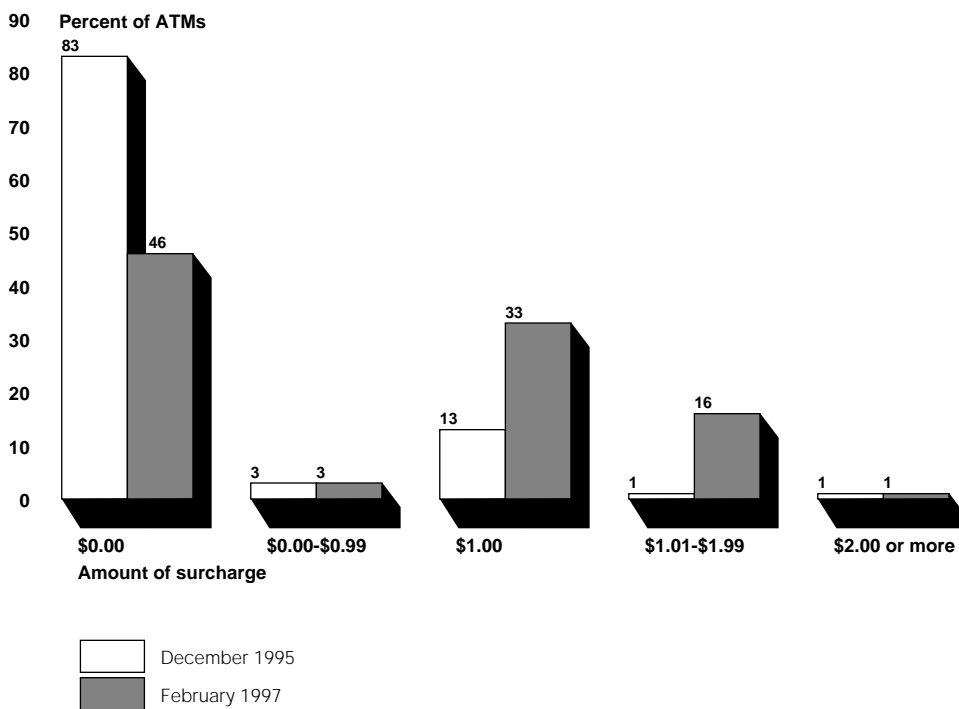
Note 2: Although some of the sampling errors were much greater than ± 10 percent, all of the differences within the three size groups were statistically significant.

Source: GAO analysis of survey results.

Our survey showed that the number of ATMs that have surcharge fees of \$1.00 or more has increased since 1995. (See figure 4.) As indicated in table 1, this increase has occurred for large and medium banks.⁷

⁷The increase for smaller banks was not significant at a 95 percent confidence level.

Figure 4: ATM Surcharges Reported by Banks, 1995 and 1997



Source: GAO analysis of survey results

Table 1: Percentage of ATMs With Reported Surcharges, by Bank Size, 1995 and 1997

Surcharge	Large banks' ATMs		Medium banks' ATMs		Smaller banks' ATMs	
	1995	1997	1995	1997	1995	1997
\$0.00	84%	40%	76% ^a	41% ^a	87%	57% ^a
\$0.01 - \$0.99	1	3	7	5	2	1
\$1.00	14	31	12	38 ^a	10	31 ^a
\$1.01 - \$1.99	1	25 ^a	1	14	0	9
\$2.00 or more	0	0	3	2	1	1

Note: Sampling errors were not calculated for estimates of less than 10 percent. Totals may not add to 100 percent because of rounding.

^aSampling error exceeded ± 10 percent.

Source: GAO analysis of survey results.

As of February 1, 1997, three out of the four large nonbanks said that they imposed surcharge fees. As reported by these nonbanks, the surcharge fee

had remained the same since the end of 1995 for two nonbanks that surcharge, while one had doubled its fee. The average surcharge fee for the ATMs operated by the four nonbanks increased from \$0.12 in December 1995 to \$0.32 as of February 1, 1997. The maximum surcharge fee reported to us by these nonbanks was \$1.00. The three nonbanks that surcharge reported that the average surcharge fee was \$0.71 as of February 1, 1997, an increase from \$0.51 at the end of 1995.

Objectives, Scope, and Methodology

Our objectives were to provide summary data on the number of banks that operate ATMs, the number of banks that levy surcharges against non-account holders who use the banks' ATMs, and the amounts of the surcharges assessed. We also agreed to use statistical sampling techniques to ensure that the information gathered on the use of surcharge fees would represent practices in the banking industry as a whole. The sampling procedures are discussed in detail in appendix II.

We sent a questionnaire (see appendix I) to a sample of banks to obtain information on ATMs they operated on February 1, 1997, and December 31, 1995; surcharge fees assessed non-account holders using these ATMs for these two dates; and ATM transaction volume data during January 1996 and February 1997. We selected the December 1995 date to obtain data prior to the national ATM networks' lifting of the surcharge ban in April 1996, and the February 1997 date to obtain data several months after the two national ATM networks lifted their bans on surcharges.

We selected our sample from a universe of all banks that we identified through data collected by the bank regulatory agencies. Our stratified random sample was designed to provide unbiased point estimates of all variables. However, the sample size of 246 banks was not large enough to detect significant differences in some of the estimates for subgroups within the sample, or to draw certain conclusions about comparisons between 1995 to 1997. The sample size was dictated by time and resource constraints because, in our judgment, the most significant threat to the study's validity was a low response rate. To minimize this threat, we telephoned every bank in our sample to determine the appropriate respondent at each bank before we mailed the questionnaires.

In this study, we did not address (1) whether surcharge fees affect efficiency and competition within the financial services industry, (2) the reasons for the deployment of ATMs, and (3) consumer protection and disclosure issues. We did not attempt to evaluate the impact of the

surcharge fees on the number of transactions completed at each of the banks' ATMs. To do so would have required us to look at numerous factors, such as changes in the number of ATMs available to consumers, seasonal factors, and changes in consumer behavior.

Further, this study does not fully address the ATM surcharging practices followed by nonbank ATM operators, because of the lack of complete data on these operators of ATMs. However, to obtain an indication of nonbank practices in ATM surcharging, we obtained surcharge information from four nonbanks that operate ATMs in retail locations. Industry officials told us that these four nonbanks account for approximately 80 percent of nonbank ATM operations.

We did our work between December 1996 and April 1997 in accordance with generally accepted government auditing standards.

As agreed with your office, unless you announce the contents of this report earlier, we plan no further distribution until 30 days after the date of this letter. At that time, we will send copies of this report to the Ranking Minority Member of your Committee, the Chairmen and Ranking Minority Members of other interested congressional committees, individual members, federal agencies, and the public on request.

This report was prepared under the direction of Susan S. Westin, Assistant Director, Financial Institutions and Markets Issues. Other major contributors are listed in appendix III. Please contact either Ms. Westin on (202) 512-3655 or me on (202) 512-8678 if you have any questions about this report.

Sincerely yours,



Thomas J. McCool
Associate Director
Financial Institutions
and Markets Issues

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Abbreviations

ATM	Automated teller machine
PIN	Personal identification number

Survey Instrument Used to Collect Data From a Sample of Banks

United States General Accounting Office

GAO Survey of Banks and Thrifts On ATM Surcharges

Introduction

The U.S. GAO has been asked by the Senate Banking Committee to provide information about charges paid by non-customers for the use of automated teller machines. As part of this review, we are collecting information on access fees (or surcharges) from a random sample of U.S. banks and thrifts. Your answers are important to ensure that we obtain a representative picture of industry practices.

GAO will take steps to safeguard the privacy of your responses. The number and identifying information on this questionnaire is included only to aid us in our follow-up efforts. Before releasing our report, we will remove this cover page so that your questionnaire can no longer be matched with your institution. Survey results will be reported in summary form only. Any discussion of individual answers or comments will omit any information that could identify the respondent.

If you have any questions or concerns about this survey, please call Monty Kincaid at (202) 512-8432, or Tamara Cross at (202) 512-4890. We would appreciate your response within two days of receiving this questionnaire.

Instructions

- This questionnaire should be completed by the person(s) most knowledgeable about ATM operations, and who has access to ATM transaction data.
- Please consider only ATMs operated by the institution named on the label at the bottom of this page, and not those under the control of any subsidiary, affiliate or holding company.
- Fax completed questionnaire to (202) 512-3642.

Please provide the following information so that we may contact you with any questions about your responses:

Name of primary respondent: _____

Title: _____

Institution: _____

Department: _____

Telephone: () -- _____

[Affix bank name label here]

**Appendix I
Survey Instrument Used to Collect Data
From a Sample of Banks**

1. How many ATMs did your institution operate, both on-premises and at off-premises locations, as of December 31, 1995 and February 1, 1997?

Exclude ATMs which are operated by subsidiaries or affiliates of your institution, or by a holding company which owns your institution.

If you experienced any event that significantly changed the number of ATMs operated between these two dates, please explain in Question 2. If you acquired another institution's ATMs between these two dates, do not include that institution's ATMs in your 12/31/95 calculation if you had not yet acquired them.

	Number of ATMs as of:	
	December 31, 1995 <small>(Or most recent date before 12/31/95 for which data is available--please specify that date: ___ / ___ / ___)</small>	February 1, 1997 <small>(Or most recent date for which data is available--please specify that date: ___ / ___ / ___)</small>
ATMs on your institution's premises (all offices and branches)	___ , ___ ___	___ , ___ ___
ATMs at off-premises locations	___ , ___ ___	___ , ___ ___

2. If you have any explanations of, or comments on, the data you provided in Question 1, such as the acquisition of another institution's ATMs between these two dates, please use the space below:

**Appendix I
Survey Instrument Used to Collect Data
From a Sample of Banks**

3. Please provide the per-transaction access fee(s), or surcharge(s), that your institution sets for ATM users who do **not** have accounts at your bank. For each different access fee, indicate how many ATMs that fee applies to.

Exclude any transaction fees charged to customers of your institution.

If some of your ATMs do not have an access fee, enter "\$0.00" in one of the "Access Fee" boxes and indicate how many ATMs that applies to.

ATM Access Fees As Of:		
December 31, 1995		
(Or most recent date before 12/31/95 for which data is available--please specify that date: ___ / ___ / ___)		
Access Fee(s)	Number of ATMs with this access fee	
	On Premises	Off Premises
\$ _____	_____	_____
\$ _____	_____	_____
\$ _____	_____	_____
\$ _____	_____	_____
Total ATMs (should match Question 1)	_____	_____

ATM Access Fees As Of:		
February 1, 1997		
(Or most recent date for which data is available--please specify that date: ___ / ___ / ___)		
Access Fee(s)	Number of ATMs with this access fee	
	On Premises	Off Premises
\$ _____	_____	_____
\$ _____	_____	_____
\$ _____	_____	_____
\$ _____	_____	_____
Total ATMs (should match Question 1)	_____	_____

4. If you have any explanations of, or comments on, the data you provided in Question 3, including factors such as type of off-premises ATM locations, that may determine access fees, please use the space below, or attach additional sheets:

**Appendix I
Survey Instrument Used to Collect Data
From a Sample of Banks**

5. Across all of the ATMs your institution operates, as specified in Question 1, how many completed withdrawal transactions by non-customers occurred in the months of January 1996 and January 1997?

If some event or factor significantly affected the number of non-customer ATM transactions between these two months, please explain in Question 6.

	January 1996	January 1997
	(Or most recent one-month period before 1/96 for which data is available--please specify: ___ / ___)	(Or most recent one-month period before 1/97 for which data is available--please specify: ___ / ___)
ATM transactions by non-customers	_____, _____, _____	_____, _____, _____

6. If you have any explanations of, or comments on, the data you provided in Question 5, or any other comments concerning this questionnaire, please use the space below, or attach additional sheets:

Thank you very much for your time and care in filling out this questionnaire.
Please return it to us by **fax** at (202) 512-3642 .

GGD CR 2/97

Objectives, Scope, and Methodology

Our objectives were to provide summary data on the number of banks that operate ATMs, the number of banks that levy surcharges against non-account holders who use the banks' ATMs, and the amounts of the surcharges assessed. As agreed with your office, we focused our work on U.S. banks.

To determine the extent of bank ATM operations, surcharging, and transaction volume, and to identify changes in these parameters across a time period, we collected data for various time periods between December 31, 1995, and February 1, 1997. We selected these dates to obtain information prior to and after two national ATM networks (CIRRUS, PLUS) lifted their ban on surcharging. We conducted a mail questionnaire survey of a random sample of banks that was statistically representative of the universe of the entire banking industry.

From the 11,553 active banks and thrifts with individual charters that we identified from a database of the September 1996 Federal Financial Institutions Examination Council's Call Reports and Office of Thrift Supervision's Thrift Financial Reports, we drew a random sample of 246 banks, allocated across 11 strata defined by total asset size. We did not assess the quality of the database.

We contacted each of the 246 institutions in our sample by telephone to determine whether it was currently an active bank eligible for our survey, and if so, whether it operated any ATMs as of February 1, 1997. For banks reporting no ATMs, this information constituted a complete response. For banks that indicated that they had at least one ATM, we then identified the most appropriate respondent and mailed that person a questionnaire requesting the number and type of ATMs operated, access or surcharge fees assessed non-account holders at each ATM, and the total number of non-account holder ATM transactions. We asked each bank to enumerate its ATMs and corresponding surcharges as of December 31, 1995, and February 1, 1997, and we further asked the banks to provide the non-account holder transaction volume data for the months of January 1996 and January 1997. We selected those dates to obtain ATM operation data for time periods before and after two national ATM networks (CIRRUS, PLUS) lifted their ban on surcharges. A copy of the questionnaire is included in appendix I.

We mailed the questionnaires in mid-February 1997 and asked the banks to respond by fax. At the end of February and the beginning of March, we telephoned institutions that had not yet responded. While some of those

Appendix II
Objectives, Scope, and Methodology

banks ultimately returned questionnaires by mail or fax, we also conducted telephone interviews to collect questionnaire data from others. When we closed the survey field period in late March of 1997, 209 of the 240 eligible banks in our original sample (87 percent) had provided at least partial responses. Of the 209 usable responses, 30 were from banks without ATMs. The remaining 179 responses from banks with ATMs were weighted to represent the total estimated number of banks with ATM machines in each stratum. We did not verify information provided by the survey respondents. Table II.1 lists, by bank asset size, the strata we used to categorize the population of banks, as well as the disposition of the sample of banks that we drew for participation in our survey.

Table II.1: Disposition of Bank Survey Sample

Bank size	Sample strata	Population	Sample	Sample disposition				Response rate ^b
				Ineligible ^a	Refusals	No response	Usable response	
Large banks	Over \$10 billion	85	84	1	5	12	66	80%
Medium banks	Over \$8 billion, up to \$10 billion	22	12	0	0	0	12	100
	Over \$6 billion, up to \$8 billion	33	14	0	1	1	12	86
	Over \$4 billion, up to \$6 billion	64	18	2	2	1	13	81
	Over \$2 billion, up to \$4 billion	132	22	1	1	1	19	90
	Over \$1 billion, up to \$2 billion	224	19	0	2	0	17	89
Smaller banks	Over \$500 million, up to \$1 billion	414	17	1	1	0	15	94
	Over \$300 million, up to \$500 million	573	13	1	0	2	10	83
	Over \$150 million, up to \$300 million	1,451	19	0	0	0	19	100
	Over \$90 million, up to \$150 million	1,797	11	0	1	0	10	91
	\$90 million or less	6,758	17	0	1	0	16	94
Total		11,553	246	6	14	17	209	87%

^aNot a depository institution, no longer in business, merged, or otherwise closed.

^bResponse rate calculated as the number of banks completing usable questionnaires divided by the number of eligible banks in the sample (original sample less ineligible).

Source: GAO sampling and survey results.

The survey estimates printed in this report are projected to the entire population of U.S. banks from which our sample was drawn. While we sampled relatively more of the institutions with a large amount of assets than institutions with a small amount of assets in order to develop precise estimates of ATM-related activity, each completed questionnaire was assigned a mathematical weight that made its contribution to the overall results proportional to the number of banks of similar asset size in the population. However, because we surveyed only a sample of banks, each of the survey estimates in this report has a sampling error, which is a measure of the precision with which the estimate approximates the true, unknown population value. All of the sampling errors for our survey estimates are no larger than plus or minus 10 percent at the 95 percent confidence level, unless otherwise noted.

In addition to the reported sampling errors, the practical difficulties of conducting any survey may introduce other types of “nonsampling” errors. For example, differences in how a particular question is interpreted, in the sources of information that are available to respondents, or in the types of organizations that do not respond can introduce unwanted variability into the survey results. While we did not verify the survey results, we included steps in the data collection and data analysis stages to minimize nonsampling errors. While designing the questionnaire, we solicited expert opinion on the wording and structure of our questions, and we pretested the survey instrument with several banks. Follow-up telephone calls were made to nonrespondents, and inconsistent answers were identified during questionnaire editing and followed up on. A number of keypunched records were verified during data entry, and computer analyses were performed to identify additional inconsistencies or other indications of errors. All computer analyses were checked by an independent analyst.

We also attempted to determine whether banks that responded were significantly different from the few that did not. Based on the information we collected during our telephone precontacts with the banks, we concluded that those banks that did not respond to the subsequent mail survey (including those that refused) had a higher number of estimated ATMs, on average, than did the banks that responded. While this suggests that our survey results underrepresent banks with a large number of ATMs, we feel that any potential bias is limited by the small number (31) of nonrespondents involved.

While we collected ATM data before and after the national networks lifted their ban on surcharges, it is not possible to attribute all of the change we

observed to that event. Any number of factors that we did not measure could have influenced bank ATM deployment activity, surcharge policy, and ATM use by non-account holders. We did not attempt to evaluate the impact of the surcharge fees on the change in transactions. To do so would have required us to look at numerous factors, such as changes in the number of ATMs available to consumers, weather, and changes in consumer behavior (including changes in purchasing patterns). We also did not address whether surcharge fees affect efficiency and competition within the financial services industry, the deployment of ATMs, and consumer protection and disclosure issues.

Further, this study does not fully address the ATM surcharging practices followed by nonbank ATM operators, because of the lack of reliable public data on the universe of nonbank operators of ATMs. However, we interviewed officials from several nonbank organizations that operated a large number of ATMs (100 or more each) to get some idea of the surcharging practices of nonbank ATM operators. We also reviewed the results of several studies of bank and nonbank ATM operations conducted by industry associations and private consulting firms.

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