

Why GAO Did This Study

Since the 1960s, consumers have increasingly used ATMs to easily access their accounts and conduct transactions such as cash withdrawals. Consumers may incur fees to use ATMs, such as a “surcharge” fee, which is paid to the ATM operator for transactions conducted at ATMs outside their financial institution’s network. In 2008, GAO reported that ATM surcharge fees had increased since 2000. GAO was asked to review issues related to continued increases in these fees.

This report discusses (1) the business models for ATM operators and how they set ATM fees, (2) the amounts of fees that consumers incur to conduct ATM transactions and how these fees have changed over time, and (3) the reported costs of ATM operations for ATM operators and how the costs and revenues are expected to change.

For this work, GAO surveyed a nongeneralizable sample of 30 financial institutions and 4 independent ATM operators to collect information on their ATM operations and costs in calendar year 2011. In addition, GAO analyzed two types of ATM fees data obtained from firms specializing in the financial services industry: (1) data on fees charged by financial institutions from 2007 to 2012 that are generalizable to all financial institutions in the United States, and (2) nongeneralizable data on fees charged by independent ATM operators that were procured by “mystery shoppers” at 100 judgmentally selected independent ATMs in 2012. GAO also interviewed industry representatives and federal regulators to understand ATM operations and requirements.

View [GAO-13-266](#). For more information, contact Alicia Puente Cackley at (202) 512-8678 or CackleyA@gao.gov.

AUTOMATED TELLER MACHINES

Some Consumer Fees Have Increased

What GAO Found

Automated teller machine (ATM) operators include financial institutions—banks and credit unions—as well as independent firms. Industry representatives GAO spoke with estimate there are approximately 420,000 ATMs in the United States. They estimate that financial institutions operate and set the fees for about half of the market, and independent operators work together with merchants to operate the remainder and to determine the fees incurred by consumers. ATM operators have differing business models that affect the way they set ATM fees for consumers. Financial institutions operate ATMs as a convenience to their own account holders, who generally do not pay fees to use these ATMs, while non-account-holding customers do. At independent ATMs, most consumers incur a surcharge fee, although there are some exceptions, such as when the ATM is part of a surcharge-free ATM network.

GAO estimates that the prevalence and amount of ATM surcharge fees charged by financial institutions have increased since 2007, and that the estimated average surcharge fee for financial institutions that charged a fee increased from \$1.75 in 2007 to \$2.10 in 2012, in 2012 dollars. In 2012, surcharge fees charged by financial institutions ranged from \$0.45 to \$5.00. GAO’s analysis of a nongeneralizable sample of 100 ATMs run by independent operators found that the average surcharge fee was \$2.24 and ranged from \$1.50 to \$3.00 in 2012. However, some independent ATMs may have surcharge fees that are higher or lower than those in GAO’s sample. In contrast, GAO estimates that the foreign fee—the fee assessed by financial institutions for using an ATM outside the institution’s network—generally stayed constant in dollar amount over this period. Consumers have many ways to obtain cash without incurring fees, such as using ATMs within their financial institution’s network. Additionally, some financial institutions participate in surcharge-free networks that allow their customers free access to ATMs outside their institution’s ATM network. These networks can greatly expand the number and location of ATMs available to consumers free of charge.

GAO’s analysis of the ATM cost data reported by a nongeneralizable sample of financial institutions it surveyed revealed some differences in the biggest cost drivers for ATM operations. For example, large banks’ reported costs for hardware and software investments were higher as a percentage of their reported total ATM costs than for the midsize banks and credit unions. Key cost drivers reported by the nongeneralizable sample of independent ATM operators varied, but commonly reported costs were rent, infrastructure, and transaction processing. In addition, most of the surveyed ATM operators reported that overall per-ATM costs have increased over the past 5 years, while per-ATM revenues have declined. Many of the operators GAO contacted believe that ATM operation costs will continue to rise in the future and that revenues will be flat or decline.