

United States Senate

WASHINGTON, DC 20510

March 6, 2025

Ronald Whyte
President
Chex Systems, Inc.
PO Box 583399
Minneapolis, MN 55458

Dear Mr. Whyte:

We write to request information regarding the extent to which your company's information collection and reporting practices may be creating significant barriers to banking for millions of Americans that seek to access basic financial services. On February 5, 2025, the Senate Banking, Housing, and Urban Affairs Committee held a hearing to understand the impacts of debanking in America.¹ The Committee learned consumer reporting agencies like ChexSystems may be playing a role with regard to debanking activities that harm everyday Americans.

Banks and credit unions across the country rely on data from ChexSystems – which describes itself as “a nationwide specialty consumer reporting agency ... [that] provides services to financial institutions ... primarily assist[ing] clients in assessing the risk of opening new accounts.”² In simple terms, the company collects information about consumers' negative banking history, uses this information to create a proprietary risk score (known as a ChexSystems Consumer Score)³, and sells these scores and other information back to banks.⁴ The records and scores generated by ChexSystems are used by banks to determine whether to close existing checking accounts or approve applicants for new accounts.⁵

In written testimony before the Committee, Aaron Klein stated, “[t]he effect of using Chex systems means that if a person is reported to have problems that for any reason, result in a low

¹ Senate Committee on Banking, Housing, and Urban Affairs, “Investigating the Real Impacts of Debanking in America,” February 5, 2025, <https://www.banking.senate.gov/hearings/investigating-the-real-impacts-of-debanking-in-america>.

² ChexSystems, “About ChexSystems,” <https://www.chexsystems.com/about-chexsystems>.

³ CNBC, “What is ChexSystems,” Ryley Amond, <https://www.cnbc.com/select/what-is-chexsystems/>.

⁴ San Francisco Office of Financial Empowerment, “Blacklisted: How ChexSystems Contributes to Systemic Financial Exclusion,” June 2021, <https://www.sfgov.org/ofe/sites/default/files/2021-06/Blacklisted-How%20ChexSystems%20Contributes%20to%20Systemic%20Financial%20Exclusions%20-%20FINAL.pdf>.

⁵ Federal Reserve Bank of Cleveland, “Unbanked in America: A Review of the Literature,” Paola Boel and Peter Zimmerman, May 2022, <https://www.clevelandfed.org/publications/economic-commentary/2022/ec-202207-unbanked-in-america-a-review-of-the-literature>.

score flagging them as ‘not bankable’ it can be difficult to open a high-quality bank account.”⁶ Reports indicate that nearly every big bank in the country uses ChexSystems to assess the riskiness of existing and prospective customers,⁷ giving banks a powerful – yet secretive – tool to exclude consumers from basic banking services.

Problematic overdraft practices by banks represent a significant reason why many people are unbanked today. Instead of declining transactions, banks allow, and sometimes encourage, customers to overdraw their accounts in order to bring in hefty fees.⁸ These overdrafts are a component of the ChexSystems Consumer Score, and can be used by banks to exclude consumers from the banking system.⁹

Indeed, as one expert noted, “If you’ve ever been denied a bank account, it is likely because of negative actions in your ChexSystems report.”¹⁰ A recent review by economists from the Federal Reserve Bank of Cleveland described this process:¹¹

[V]irtually every large US bank uses data from ChexSystems, a banking reporting agency that collects information about depositors’ problems with bank accounts, including unpaid overdraft fees, checks bounced at retailers, and suspected fraud. Banks use these data to assess the riskiness of a customer and, in turn, to determine when an existing account should be closed and whether an applicant can open a checking account.

According to one report, “[m]any banks have construed an applicant’s mere presence in the ChexSystems database as the sole factor in assessing whether or not the applicant is an acceptable credit risk to open a checking account.”¹² And because ChexSystems retains its records for up to five years¹³, consumers with a ChexSystems record may be affected for years.

To further compound the problem, inaccuracies or errors in ChexSystems reports may cause consumers to become debanked or prevent consumers from being able to open accounts and

⁶ Senate Committee on Banking, Housing, and Urban Affairs, “Written Testimony of Aaron Klein,” February 5, 2025, https://www.banking.senate.gov/imo/media/doc/klein_testimony_2-5-25.pdf.

⁷ Federal Reserve Bank of Cleveland, “Unbanked in America: A Review of the Literature,” Paola Boel and Peter Zimmerman, May 2022, <https://www.clevelandfed.org/publications/economic-commentary/2022/ec-202207-unbanked-in-america-a-review-of-the-literature>.

⁸ Senate Committee on Banking, Housing, and Urban Affairs, “National Consumer Law Center: Statement for the Record,” May 2022, https://www.nclc.org/wp-content/uploads/2022/10/overdraft_05_05_22_testimony.pdf. See also Bankrate, “Blacklisted by ChexSystems? Here is what it is and what to do,” Barbara Whelehan, December 2023, <https://www.bankrate.com/banking/checking/what-is-chexsystems/>.

⁹ ChexSystems, “ChexSystems Consumer Score,” https://www.chexsystems.com/request-reports/consumer-score#faq_tab

¹⁰ CNBC, “What is ChexSystems,” Ryley Amond, <https://www.cnbc.com/select/what-is-chexsystems/>.

¹¹ Federal Reserve Bank of Cleveland, “Unbanked in America: A Review of the Literature,” Paola Boel and Peter Zimmerman, May 2022, <https://www.clevelandfed.org/publications/economic-commentary/2022/ec-202207-unbanked-in-america-a-review-of-the-literature>.

¹² New York University Law Review, “Blacklisted: The Unwarranted Divestment of Access to Bank Accounts,” James Marvin Perez, 2005, <https://nyulawreview.org/wp-content/uploads/2018/08/NYULawReview-80-5-Perez.pdf>.

¹³ ChexSystems, “Frequently Asked Questions,” <https://www.chexsystems.com/answers-to-frequently-asked-questions>.

create financial mobility.¹⁴ Additionally, for consumers who apply to open a checking account and are denied, they have limited information and ability to immediately contest the denial. Most banks reportedly do not publish policies around ChexSystems records, and most consumers do not know that the company exists.¹⁵

Every American who wants a checking account should be able to have one, and debanking represents a threat to millions of Americans financial well-being. It is critical that Congress determine the reasons for this debanking – including determining the role of middlemen like ChexSystems. We therefore request that you provide responses to the following questions no later than March 20, 2025:

1. Please identify the categories of information collected by ChexSystems.
2. Please identify the categories of information contained in a ChexSystems record or file. In responding to this question, please describe how your company procures this information.
3. Please state whether your company currently assigns a ChexSystems Consumer Score or any other type of rating, and describe the factors your company uses to generate the score or rating.
4. Please provide the following information:
 - a. How many financial institutions and other types of companies have reported information to ChexSystems over the past five years? Please provide a comprehensive list of financial institutions and other types of companies that have reported information to ChexSystems over the past five years.
 - b. How many financial institutions and other types of companies have ChexSystems sold information to over the past five years. Please provide a comprehensive list of financial institutions and other types of companies ChexSystems has sold information to over the past five years. In responding to this question, please also provide how much your company charges financial institutions on average for a consumer record or file.

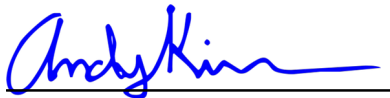
¹⁴ New York Times, “Over a Million are Denied Bank Accounts for Past Errors,” Jessica Silver-Greenberg, July 30, <https://archive.nytimes.com/dealbook.nytimes.com/2013/07/30/over-a-million-are-denied-bank-accounts-for-past-errors/>. See also National Consumer Law Center and Cities for Financial Empowerment Fund, “Account Screening Consumer Reporting Agencies: A Banking Access Perspective,” Chi Chi Wu, pp.16, <https://cfefund.org/wp-content/uploads/2016/08/Account-Screening-CRA-Agencies-Banking-Access-report.pdf>.

¹⁵ San Francisco Office of Financial Empowerment, “Systemic Barriers to Banking the Unbanked,” https://www.sfgov.org/ofe/sites/default/files/2020-12/TTX%20Barriers%20to%20Banking%20Report_v4.pdf. See also San Francisco Office of Financial Empowerment, “Blacklisted: How ChexSystems Contributes to Systemic Financial Exclusion,” June 2021, <https://www.sfgov.org/ofe/sites/default/files/2021-06/Blacklisted-How%20ChexSystems%20Contributes%20to%20Systematic%20Financial%20Exclusions%20-%20FINAL.pdf>.

5. According to a report, “ChexSystems’ parent company, FIS, has estimated that 5% of applicants cannot qualify for an account at all.”¹⁶ Please describe whether your company currently maintains or has maintained a consumer blacklist or *do not bank list*.
6. Please describe your company’s policies and procedures for responding to disputes from consumers about information contained in their ChexSystems record or file.
7. Please describe the steps your company takes to update a consumer account when a consumer successfully disputes an inaccurate ChexSystems record or file. In responding to this question, please provide the following information:
 - a. For each of the past five years, the number of disputes your company has received.
 - b. For each of the past five years, the number of successful disputes.
8. In the past five years, has ChexSystems conducted any internal studies to measure error rates in consumer records or files? If so, please explain.
9. According to ChexSystems website, the company “provides services to financial institutions and other types of companies.”¹⁷ Besides banks and credit unions, what other financial institutions and other types of companies use ChexSystems?
10. At one point, ChexSystems reportedly maintained negative records on more than 19 million checking accounts.¹⁸ What is that number currently?
11. What percentage of ChexSystems records result due to overdraft or non-sufficient fund transactions?

Thank you for your prompt attention to this matter. Should you have any questions, please do not hesitate to contact Senator Kim’s staff at (202) 224-4744 and Senator Warren’s staff at (202) 224-7391.

Sincerely,



Andy Kim
United States Senator



Elizabeth Warren
Ranking Member
Committee on Banking,
Housing, and Urban Affairs

¹⁶ National Consumer Law Center and Cities for Financial Empowerment Fund, “Account Screening Consumer Reporting Agencies: A Banking Access Perspective,” Chi Chi Wu, <https://cfefund.org/wp-content/uploads/2016/08/Account-Screening-CRA-Agencies-Banking-Access-report.pdf>.

¹⁷ ChexSystems, “About ChexSystems,” <https://www.chexsystems.com/about-chexsystems>.

¹⁸ New York University Law Review, “Blacklisted: The Unwarranted Divestment of Access to Bank Accounts,” James Marvin Perez, 2005, <https://nyulawreview.org/wp-content/uploads/2018/08/NYULawReview-80-5-Perez.pdf>.