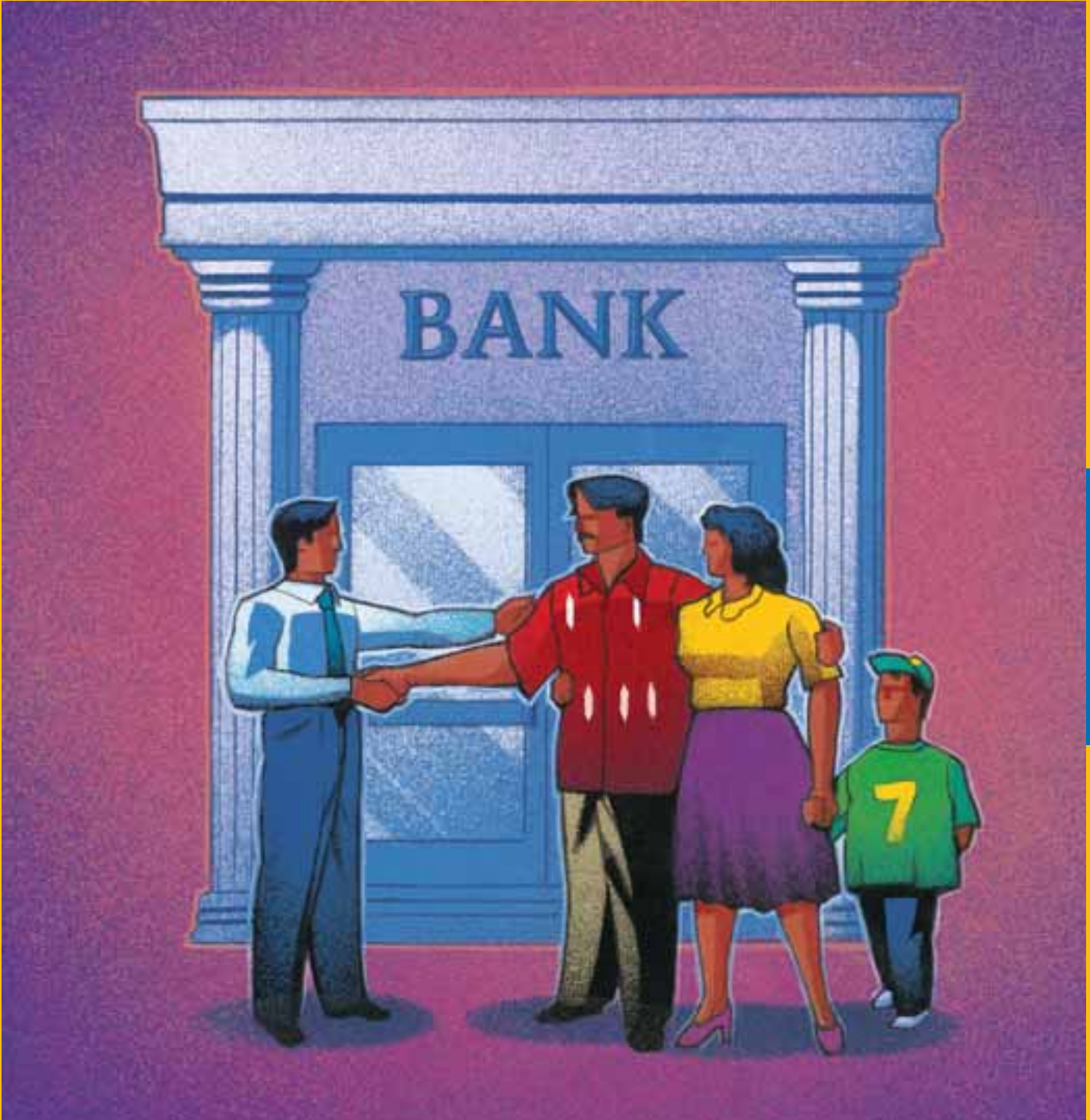


Module 4

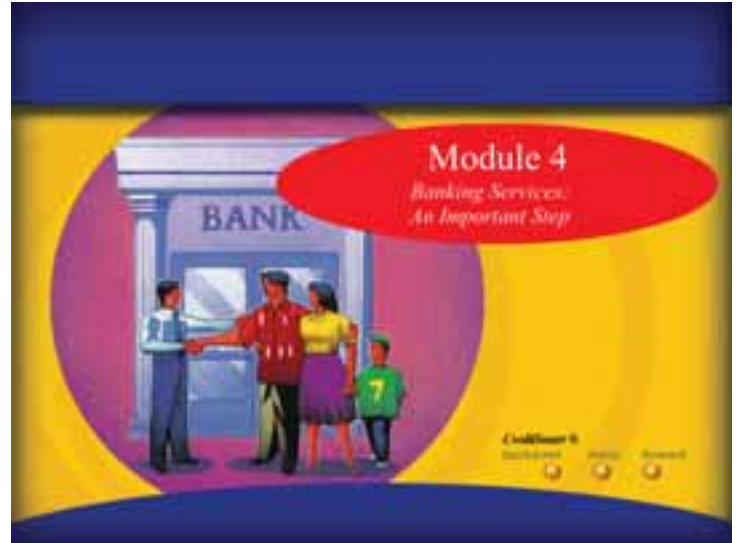
Banking Services: An Important Step

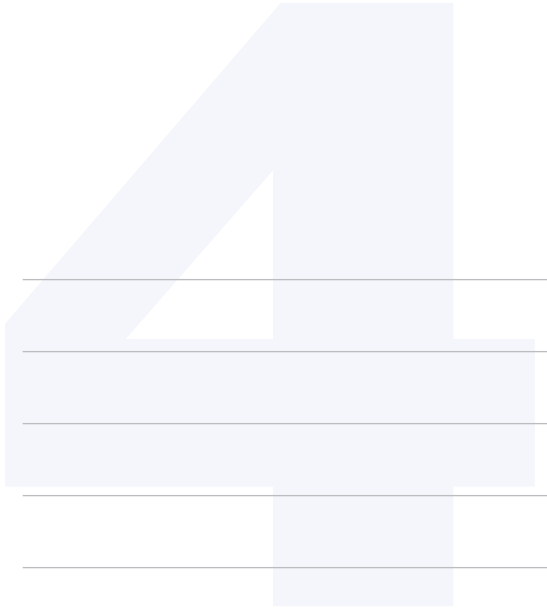


Module 4:
Banking Services: An Important Step

► **Presentation Slides**

Module
4





Tour of a Financial Institution

- Security Guard
- Teller
- Customer Service Representative
- Loan Officer
- Branch Manager

Module 4-4
Banking Services:
An Important Step

Keep Your Money in a Financial Institution

- Safety
- Convenience
- Cost
- Security
- Financial Future

Module 4-5
Banking Services:
An Important Step

The Costs of Not Having a Banking Relationship

- Higher fees.
- No savings.
- More difficult to demonstrate you have established a financial record.
- Potential victim of cash advance scams.
- Less personal security.
- Higher fees on other services.

Module 4-6
Banking Services:
An Important Step

4

Account Verification



- Your banking history.
- Your photo identification.

Module 4-7
Banking Services:
An Important Step

Basic Banking Terms



- *Deposit*
- *Balance*
- *Withdrawal*
- *Fees*
- *Interest*

Module 4-8
Banking Services:
An Important Step

Deposit Accounts



- **Checking account:** an account that lets you write checks to pay bills or buy goods and services.
- **Savings account:** an account where you keep your money for safekeeping or investment that earns interest.

Module 4-9
Banking Services:
An Important Step



Additional Banking Services

- *ATM*
- *Debit Card*
- *Direct Deposit*
- *Loan*
- *Money Order*
- *Telephone Banking*
- *Wire Transfer*
- *Safe Deposit Box*
- *Online Banking*

Module 4.10
Banking Services:
An Important Step

SUMMARY

Building a relationship with a financial institution can help you:

- Establish a record of paying bills (a credit history).
- Save you money.
- Help you obtain credit and get a loan or mortgage.

Module 4.11
Banking Services:
An Important Step

Key Terms to Remember

<i>Bank</i>	<i>ATM</i>
<i>Credit Union</i>	<i>Debit Card</i>
<i>Thrift</i>	<i>Direct Deposit</i>
<i>Deposit</i>	<i>Loan</i>
<i>Balance</i>	<i>Money Order</i>
<i>Withdrawal</i>	<i>Telephone Banking</i>
<i>Fees</i>	<i>Wire Transfer</i>
<i>Interest</i>	<i>Safe Deposit Box</i>
	<i>Online Banking</i>

Module 4.12
Banking Services:
An Important Step

► **Tips When You're Visiting a Financial Institution**

- If you don't know who to talk to, ask for help. Someone will take you to the right person. If you speak another language, ask for an employee who speaks your language.
- Always ask questions until you are clear on all the information and don't sign anything you don't understand.
- Ask for written information to take home to review.

► **Choosing a Financial Institution**

Use this checklist to help you choose a financial institution and the account that's right for you. Also ask your friends and relatives about financial institutions they enjoy doing business with.

	Financial Institution A	Financial Institution B	Financial Institution C
<i>Name of financial institution</i>			
<i>Does it offer the services I need?</i>			
<i>Is it close to home?</i>			
<i>Does it have reasonable hours?</i>			
<i>Does it have ATMs? If so, are they located near where I live, work, or shop?</i>			
<i>If I am choosing a credit union, am I eligible?</i>			
<i>Do any employees speak my language?</i>			
<i>What, if any, fees will be charged?</i>			
<i>How are complaints handled?</i>			
<i>Is this financial institution insured?</i>			

► Reasons Why You Should Keep Your Money in a Financial Institution

Reasons Why You Should Keep Your Money in a Financial Institution

- **Safety:** Money is safe from theft, loss, and fires.
- **Convenience:** You can get money quickly and easily.
- **Cost:** Using a financial institution is usually less expensive than using other businesses, such as check cashing businesses, to cash your check. Also, a checking account allows you to write checks rather than pay for money orders.
- **Security:** Most financial institutions are insured. This means that if for some reason the financial institution closes and cannot give its customers their money, the insuring organization, like the Federal Deposit Insurance Corporation (FDIC), will return the money to the customer. The FDIC will only insure deposits up to \$100,000 per account.
- **Financial Future:** Building a relationship with a financial institution will allow you to write checks so that you can demonstrate a record of paying bills, save money, and get a loan or mortgage. (However, it's possible to obtain a mortgage without having established a banking relationship. But you must keep receipts and accurate records of paying your rent and other bills.) In addition, having a bank account will help you establish and manage good credit. For example, if you opt to receive overdraft protection on your account—a feature that automatically advances funds into your account to cover items that would cause a check to bounce—you'll receive a positive tradeline for your credit report. As part of credit report terminology, a tradeline is any credit account you might have, such as a loan, credit card, or mortgage.

► Advantages of Using a Financial Institution

- **You can begin saving money, even if it is only a small amount.** Some check cashing businesses charge extremely high fees to use their services. Try saving enough money to equal the check cashing fee. Use the funds to open a savings account at a financial institution. Every time you cash a check, deposit the money you would have paid to the check cashing company into your new savings account.
- **You can establish, build, and improve your credit.** To get a mortgage or other type of loan, such as a car or student loan, it is generally a good idea to have established an account with a financial institution (though you may be able to obtain a mortgage without one). When you have a bank account, lenders know that you have established a financial record and can demonstrate the responsible use of your accounts. When you use a check cashing company, there is no evidence to a lender that you have established a financial record and you may not be able to get a loan.



- **You can avoid becoming the victim of cash advance scams by unscrupulous companies.** For example, some check cashing businesses now offer their own types of loans—small, short-term loans that carry extremely high interest rates. Payday loans are so expensive that some states have prohibited these types of loans.
- **You can take advantage of special programs offered by financial institutions that have recently begun offering low-fee checking account options.** Be sure to ask about these special programs.
- **You and your money are better protected.** When you leave the doors of a check cashing company, you risk being the victim of a crime because of the large amount of cash you may be carrying out of the store. When you exit from a financial institution, you take only the amount of cash you need to carry with you and leave the remaining amount safeguarded in your bank account.
- **Financial institutions provide other services, such as wire transfers and cashing paychecks.** Typically financial institutions offer these and other services at lower costs than check cashing businesses.

Example #1

Angela uses a check cashing company to cash her checks. She cashes four checks a month and is charged \$5 each time. That means she pays \$20 a month (4 x \$5) or \$240 a year (\$20 x 12 months) just to cash her checks. She does not have the ability to write checks to pay her rent and utilities since she does not have a checking account at a local financial institution.

Example #2

Juan cashes his checks by using an account at a financial institution that charges a monthly fee of \$5, which includes 8 free checks per month and use of the automated teller machine (ATM). Additionally, ordering a box of 100 checks costs him about \$18, since he purchases his checks through the financial institution.

In this case, using a checking account for one year cost Juan \$78 ($\$5 \times 12 \text{ months} = \$60 + \$18 = \78). **This equals a savings of \$162 a year (\$240-\$78).**

► **Checking Accounts**

Although credit cards have, in many ways, reduced the need for checking accounts, it is still important to establish a checking account. Checks can be conveniently used to pay routine bills. Furthermore, canceled checks can provide you with “proof of payment” and are therefore, very important for past and future documentation. Finally, the possession of a checking account and demonstration of its responsible use will help you to establish a banking history and credit record.

The next pages provide a list of some of the items to be considered when shopping for a checking account. This list is followed by a Sample Checkbook Register and a checklist. The checkbook register will provide you with an illustrated example of how to record checks, deposits, and other transactions in your checkbook register. It is extremely important to always remember to write the check number and dollar amount in your register immediately when making a purchase and/or payment. This will help to prevent forgetting check amounts and surprises such as “bounced checks” for not knowing exactly how much money you have in your account. You can use the checklist when you begin to look for an account.

Fees for bounced checks add up fast and only compound the problem of a low or “no” balance. In addition, bounced checks are damaging to your credit.

Savings account registers are nearly identical in appearance, except for listing the “check number.” So once you have mastered a checking account register, keeping track of your savings, deposits, and withdrawals will be a breeze.

Finally, there are also numerous computer software programs available to help you track expenses, pay bills, and even help you organize your financial records for income tax preparation.



► **More About Checking Accounts**

As indicated in the workshop presentation, it is extremely important to establish a financial presence. A financial presence is your affiliation with a financial institution and can be established by using several services, like savings and checking accounts from the same bank, and using them responsibly.

What constitutes responsible use?

- **Avoid bouncing checks.**
- **Keep accounts above any required “minimum balances.”**
- **Make regular deposits.**
- **Contact the financial institution promptly if there are any account related problems.**

If granted an ATM card, be sure to safeguard against its fraudulent use by keeping it and your personal identification number (PIN) secure. **ALWAYS** remember to document account withdrawals (checks and ATM) to prevent going below your required minimum balances or bouncing checks.

There are numerous types of checking accounts, so before opening a checking account, research which type of account best meets your needs. The following is a list of some of the items to be considered:

- What (if any) is the monthly account service fee? Some accounts are free if you maintain a minimum account balance, such as \$200–\$300 dollars in the account at all times.
- Does the account require a minimum balance? If the account requires a minimum balance, set that money aside in the account, that is, deposit the funds and subtract that amount from your checkbook ledger. In doing so, you will not consider your required minimum balance as part of your available balance. This will help you to avoid going under the required minimum.
- What other service fees are attached to the account? Ask about the fee structures for the use of ATMs, returned canceled checks, falling under the minimum balance, the cost of an accidental overdraft, the cost of checks, and other related transactions.
- Will the canceled checks be returned to you for your records or does the bank offer carbon copy checks? Some banks will return canceled checks to you. Others offer carbon copy check options, some provide a photocopy of the canceled checks as part of your monthly statement and others still charge for access to your canceled checks.
- **Always be sure to record all check payments, withdrawals, and deposits.**
- **Balance your checkbook every month by comparing your checkbook register with the bank’s monthly statement.**



NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT/DEBIT (-)		CODE*	FEE (-)	DEPOSIT/CREDIT (+)		BALANCE
	1/4/02	Work Paycheck					\$450	00	
		deposit to open account							\$450 00
1000	1/6/02	Excel Energy	\$47	15					
		gas and light bill							\$402 85
1001	1/9/02	Municipal Water Dept.	\$12	37					
		water bill							\$390 48
1002	1/10/02	Gas Plus	\$18	53					
		car gas							\$371 95
1003	1/11/02	Freeway Finance	\$275	00					
		car payment							\$96 95
	1/15/02	Work Paycheck					\$400	00	
		deposit							\$496 95
	1/16/02	Transfer to Savings	\$100	00	TT				
		deposit to savings							\$396 95
1004	1/18/02	Phone Right	\$31	52					
		telephone bill							\$365 43

* USE THESE CODES WHEN RECORDING YOUR NON-CHECK TRANSACTIONS. These codes will help you keep an accurate record of your account and make note of the method in which you made your non-check transactions.

* D-Deposit; DC-Debit Card; ATM-Automated Teller Machine; AP-Automatic Payment ** TT-Telephone Transfer; T-Tax Deductible; O-Other

** Automatic payments are payments that you authorize to be automatically deducted from your account and transferred electronically on a regular basis to your designated payees, such as your mortgage company, your landlord, your newspaper carrier, etc. The advantage of using automatic payments is that you are assured that your bills will be paid on time each time they are due. These on-time payments become part of your credit record, and therefore, help you build good credit.

► **Choosing an Account**

It's a good idea to compare the rules of different accounts. Use this checklist when you begin to look for an account to help you choose which account is right for you.

	<i>Financial Institution A</i>	<i>Financial Institution B</i>	<i>Financial Institution C</i>
<i>Type of account</i>			
<i>How much money do I need to open the account?</i>			
<i>How much do I have to keep in my account to avoid fees?</i>			
<i>What are the fees for bounced checks?</i>			
<i>How many checks can I write before extra fees are charged?</i>			
<i>How many withdrawals can I make each month?</i>			
<i>Does this account pay interest?</i>			
<i>Does an ATM or debit card come with this account?</i>			
<i>Will I be charged to use the ATM or debit card at this financial institution?</i>			
<i>Will I be charged to use the ATM or debit card at another financial institution?</i>			
<i>What is my liability if I lose my ATM or debit card?</i>			
<i>Are there any other fees?</i>			
<i>Does the financial institution offer a service for overdraft protection?</i>			



