

You can bank on it

A safe and convenient place to keep your money

Banks—including commercial banks, savings and loan associations and savings banks—and credit unions are companies that keep your money safe and provide you with easy ways to access it. A bank account can also help you keep track of how you spend your money.

Banks are for-profit companies—their income comes from charging fees and lending money. Account balances in banks are insured by the federal government. Your basic insurance depends on the size of your balance—up to \$100,000 per person at the same bank is covered. But you may have more than \$100,000 insurance coverage if you also have different kinds of accounts at the same bank, such as a joint account with another person or an Individual Retirement Account (IRA). Insured institutions must display an official sign showing they are covered by the Federal Deposit Insurance Corporation (FDIC).

A credit union is a non-profit cooperative financial institution owned and controlled by its members. Credit unions serve groups that share something in common, such as where they work or live or their place of worship. Credit unions provide checking and savings accounts and loans, often at better rates than commercial banks.

The National Credit Union Share Insurance Fund, administered by the National Credit Union Administration, an agency of the federal government, insures credit union deposits for up to \$100,000 per account.

To find a credit union that you can join, call the Credit Union National Association at 800-358-5710, or visit its web site (www.cuna.org).

Checking up on new customers

If you apply to open a bank account and you're rejected, it's probably because your name is listed in the database of ChexSystems, the major national account verification company. Account verification services help banks screen out applicants who have mishandled bank accounts in the past. If you ever overdrew your checking account and then abandoned it while you still had a negative balance, your name might be included in ChexSystems' database.

ChexSystems is by federal law considered a "specialty credit reporting bureau" and must comply with the Fair Credit

Reporting Act (FCRA), enforced by the Federal Trade Commission (FTC). Reports about individuals remain on file for five years, unless the bank or credit union that filed the report removes it sooner. The decision to delete a report is up to the bank or credit union that provided the information.

As of December 2004, you have the right to one free copy of your ChexSystems report each year (www.chexhelp.com or 800-428-9623). Your report is always free if you have been denied a bank account in the past 60 days or if you are a victim of bank fraud. An example of bank fraud is when someone steals your checks and forges your signature in order to use them.

Your ChexSystems report includes instructions for disputing inaccurate information. The company must investigate your claim and notify you of the results within 30 days.

Checking accounts

Checking accounts let you deposit and withdraw money and write checks to pay for purchases and bills. Joint accounts allow co-owners, such as a husband and wife, to have equal access to the account.

With most checking accounts, you will be given a card that allows you to withdraw cash and make deposits at your bank's ATMs and withdraw cash at machines owned by other banks. Your card will have a personal identification number (PIN). You also may be able to use your ATM card and PIN to buy things and get cash back at stores.

Banks and credit unions may offer various types of checking accounts:

- ◆ Free checking—with no monthly maintenance fees and no minimum balance requirements—is often available if you agree to have your paycheck or benefits check deposited directly into the account electronically. Direct deposit has the added benefits of safety and security (your check can't be lost or stolen) and convenience (you don't have to go to the bank or ATM to make a deposit). Free checking also may be available if you agree to use ATMs for deposits and withdrawals and avoid teller visits.
- ◆ Electronic transfer accounts (ETAs) may be available if you receive federal benefits, such as Social Security or Supplemental Security Disability Income (SSDI). The low-cost government-sponsored account offers an ETA debit card and four free withdrawals per month. Withdrawals can be made at your bank's or credit union's ATMs or at point-of-sale (POS) terminals at stores. There are no check writing privileges with an ETA. To find out if a bank or credit union near

you offers ETAs, call 888-382-3311 or visit the ETA web site (www.eta-find.gov).

- ◆ Basic or Lifeline accounts tend to have no (or very low) minimum balance requirements—which means you won't get hit with a monthly fee if your account balance dips too low. Some states require that banks offer basic checking to accommodate low-income customers. These accounts sometimes have limited check writing privileges.
- ◆ Internet banking allows you to access your bank account from your computer. If you set up an account with an Internet-only bank, you will have to mail your deposits to the bank and use local ATMs for cash withdrawals. Many Internet-only banks give you a credit for ATM fees you will be charged when you use other banks' ATMs.
- ◆ Senior or student accounts offer no (or very low) minimum balance requirements. Check writing may be limited on these accounts, with a per-check fee if you exceed the monthly allowance.

Using a debit card

If your bank issues you an automated teller machine (ATM) card with a MasterCard or Visa logo on it, you have a debit card. A debit card is connected directly to your bank account. When you use it, money goes from your account to the company you are paying. It can be used wherever MasterCard or Visa cards are accepted, even overseas.

You can use debit cards in two ways:

- ◆ To use your card at an ATM or a point-of-sale (POS) terminal at a store, you have to provide your personal identification number (PIN).
- ◆ You can also use your debit card at stores and restaurants that accept credit cards, without providing a PIN. You will be asked to sign a receipt.

Be careful with your debit card

Keep a close eye on your debit card. To avoid any liability for losses arising from its unauthorized use, tell the bank right away if your card is lost or stolen.

When your debit card is lost or stolen, it could be easy for others to use because a PIN is not always required. You are liable for a small amount—or maybe nothing at all—when your card is used without your authorization. But it can take time and effort to prove your case to the bank and get your money back.

Always report a lost or stolen card right away. Your liability may be limited to zero if you report the loss within two business

days, and to \$50 if you report it more than two business days after realizing your card is missing. However, you could lose all the money in your bank account and the unused portion of your line of credit for overdrafts if you fail to report an unauthorized transfer or withdrawal within 60 days after your bank statement is mailed to you.

If you give your card and your PIN to someone, you are responsible for any withdrawals, even if you didn't authorize them. Guard your PIN carefully—never write it on the card or give it to anyone else.

Savings accounts

A savings account is a safe place to keep your money while earning interest on it.

When you open a savings account, you might be given a passbook in which the bank will record your deposits and withdrawals. Some banks don't use passbooks—they send you a monthly or quarterly transaction record (statement). You can request an ATM card that can be used for deposits and withdrawals. (You also can use the bank's deposit and withdrawal slips and go to a teller.) Depending on the bank and the type of savings account, the number of free ATM withdrawals may be limited to a few each month.

Money in a savings account earns interest—a return on your money. Most banks do not pay much interest on savings accounts—usually 1% or 2%. Interest is expressed as an annual percentage rate (APR)—the amount your money would earn if left on deposit for one year. Currently most banks pay 1% interest on savings accounts. If you have \$1,000 on deposit for a year, it would earn \$10.

There are two kinds of interest, simple and compound. Compound interest is better, because it allows you to earn interest not only on your initial deposit but also on the interest you earn.

Certificates of deposit

Certificates of deposits, or CDs, offer a guaranteed interest rate for a specified term, such as one year.

You can choose the length of time that your money is on deposit—from a few months to several years. The longer the term, the higher the interest rate. If you withdraw your money before the term ends (maturity), you will lose interest. Many banks charge a penalty for early withdrawal. A penalty could cost you some of the money you deposited.

Safe deposit boxes

Safe deposit boxes can be a good place to store paperwork or items that would be difficult to replace in case of fire, flood or theft.

Because only the box holder has access to the contents, they also offer privacy. Some insurance companies charge lower insurance premiums on valuables kept in a safe deposit box instead of at your home. Don't keep the original copy of your will or life insurance policy in a safe deposit box because it might be sealed at the time of death and your survivors will need a court's permission to open it.

Opening a bank account

To open an account, go to a bank branch or credit union office. Bring identification with your photo and signature on it and your Social Security number. If you don't have a driver's license, state identification card or passport, call before you go to ask what you could use instead.

Bring money—cash or a check—to deposit when you open an account. Call beforehand to find out what the minimum opening deposit requirement is.

To help you find the right bank or credit union, make some calls in advance.

If you think you qualify, ask about a Lifeline or ETA account. Describe your needs to the bank representative. For instance, explain that you write only a few checks each month or that you are not comfortable using an ATM. Ask these important questions:

- ◆ What is the minimum I need to open an account?
- ◆ What is the interest rate on the account?
- ◆ Is there a monthly fee?
- ◆ Is there any way to avoid monthly fees?
- ◆ What happens if my account balance falls below the minimum requirement?
- ◆ Is there a maximum number of checks I can write each month?
- ◆ Is there a fee for using your ATMs?

You can buy personalized checks from the bank (some banks charge as much as \$25 for a box of 200) or from a mail-order check printing service which offers lower-cost checks. Two sources for low-cost checks are:

- ◆ Checks in the Mail, 877-397-1541, www.citm.com
- ◆ Checks Unlimited, 800-426-0822, www.checksunlimited.com

Balancing your checkbook

The bank will send you statements. Check your statement as soon as it arrives to verify that all deposits, withdrawals, debits and checks are accurate.

Keep a running balance of all deposits, withdrawals, debits and checks in your checkbook register. When your monthly statement arrives, reconcile your account by following the step-by-step instructions in the statement.

Tips for keeping bank costs down

- ◆ Ask if you can combine the balances in your checking and savings accounts to meet the minimum balance requirement and avoid maintenance fees.
- ◆ Save on ATM fees by using your own bank's machines or those owned by banks that don't charge fees to non-customers. If you can't avoid a fee, take out larger sums less frequently to avoid repeat fees on numerous smaller withdrawals.
- ◆ Use direct deposit for your paycheck or government benefits check. The money is sent to your account electronically. Direct deposit is faster, safer and more convenient and may make you eligible for a free account.
- ◆ Buy checks from a mail-order company instead of your bank.
- ◆ Ask the bank to reverse occasional late fees or bounced check fees.
- ◆ An optional bank service called overdraft protection saves you from bouncing checks. Transfer fees and/or interest usually apply but are a lot lower than bounced check fees.

Resolving problems

Mixed-up deposits, no-show bill payments or double debits—mistakes like this don't happen every day. But when they do occur, complain as soon as possible. The law may limit the window of opportunity for filing complaints.

If you have a complaint, start by calling a customer service representative or visiting your bank.

Ask for the person's name and write it down. During the conversation, offer a solution and ask the representative to correct the problem by a certain date. Don't lose your temper. Raising your voice or making threats will not gain the cooperation of bank employees.

Summarize your discussion with the representative in a letter and send it to the bank. Attach documentation of your complaint. (Make copies for the bank—do not give away your

originals.) The letter may help prove you took timely action.

If you are not satisfied with the bank's response, you can complain to the bank's regulator:

- ◆ Banks with "national" in the name or "N.A." after the name are regulated by the Comptroller of the Currency, 800-613-6743 (www.occ.treas.gov).
- ◆ Federal savings and loans and savings banks are regulated by the Office of Thrift Supervision, 800-842-6929 (www.ots.treas.gov).
- ◆ State-chartered banks are regulated by state banking authorities. To find your state agency, look in the government section of your white pages directory or on the Internet (www.pueblo.gsa.gov/crh/banking.htm).
- ◆ Federally chartered credit unions are regulated by the National Credit Union Administration, 703-518-6330 (www.ncua.gov).

If you don't think your bank falls into any of these categories, contact the FDIC at 800-934-3342, which co-regulates any bank that is covered by FDIC insurance.

Consumer Action

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A CONSUMER ACTION PUBLICATION

