

BANKING BASICS

LEADER'S GUIDE

MONEY WISE

A CONSUMER ACTION AND CAPITAL ONE PARTNERSHIP



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Banking Basics Leader's Guide

Community education about banking is an important priority for community-based organizations and community advocates. There are an estimated 10 million people in the U.S. who don't have bank accounts. Many of these people can have access to the safety, security and convenience of the banking system if they are encouraged to do so and the system is explained in a way they can understand. As advocates for their clients, community-based organizations can play an important role in this educational process.

The reasons that people don't deal with financial institutions are varied and many: the identification requirements to open an account are too rigid; the hold put on deposited funds is inconvenient; maintenance fees eat up the balance; local branch offices have all but disappeared from some neighborhoods, and people with past banking problems can't obtain new accounts. In addition, distrust of financial institutions is deeply rooted in many communities.

Consumer Action, a national non-profit organization, and Capital One formed the MoneyWi\$e national financial literacy partnership in the spring of 2001 to educate consumers about how to manage their finances. The free, multilingual education program centers on money management and credit-focused topics.

The MoneyWi\$e "Banking Basics Leader's Guide" is designed to prepare community advocates to lead trainings for colleagues, clients and community members. "You Can Bank on It," a companion brochure designed for adult learners of all skill levels, is available in Chinese, English, Korean, Spanish and Vietnamese. An adult learning curriculum with classroom activities and a PowerPoint presentation round out the MoneyWi\$e "Banking Basics" program.

For more information on the MoneyWi\$e program, call Consumer Action at 800-999-7981. *(For more ways to contact Consumer Action, see the back cover of this publication.)*

Banks and Banking

What is a bank?

Banks are for-profit companies—they make money by charging fees and lending money. There are different kinds of banks, including national banks, state-chartered banks, savings and loan associations and savings banks. When a bank lends money, it charges interest to the borrower at a higher interest rate than it pays on deposits. When a bank provides services, such as checking and savings accounts, it charges fees. The bank has to earn enough to pay its expenses, such as salaries, equipment and rent, as well as satisfy its stockholders.

Is my money safe in a bank?

Yes. Account balances in banks are insured by the federal government. (See “Federal Deposit Insurance,” page 3.)

Why should I have a bank account?

A bank account is a good place to keep your money safe and earn interest on it. It’s easy to get your money when you need to by writing a check, using an automated teller machine (ATM) or visiting the bank. Banks pay interest on accounts so that people will put their money in the bank, instead of keeping it at home. When you deposit money in the bank it isn’t locked away in a vault. It is used for loans to help people finance cars, purchase homes or start businesses, so your deposits have an impact on the community as well.

Credit Unions

What is a credit union?

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, live or worship. Credit unions provide checking and savings accounts and loans.

How can I find out if I'm eligible to join a credit union?

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).

Do credit union services cost less than bank services?

Yes. On average, credit unions charge lower fees than banks. According to a study by the Consumer Federation of America (www.consumerfed.org), credit unions beat banks in these areas:

- Minimum balance requirements—the average credit union required \$446 to avoid a monthly fee; banks required \$537.
- Interest-bearing checking accounts—the average credit union charged \$2.05 per month; banks averaged \$7.42.
- Regular checking accounts—the average credit union charged \$4.28 per month; banks averaged \$6.72.

Federal Deposit Insurance

What is the Federal Deposit Insurance Corporation?

The Federal Deposit Insurance Corporation (FDIC) is a federal agency that insures deposits and maintains stability in the U.S. banking system and public confidence in the nation's depository institutions. 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).

During the Great Depression and stock market crash in the late 1920s and early 1930s, thousands of banks closed. In 1933 Congress created the FDIC to bring order to the banking system and to guarantee that depositors would be protected from loss in case of bank failure.

How do I find out if my account is FDIC-insured?

You can verify whether an institution is FDIC-insured by searching for it on the FDIC's web site or calling the FDIC's Division of Compliance and Consumer Affairs at 800-934-3342.

The FDIC insures deposits in most banks and savings associations. One easy way to tell if your bank is FDIC-insured is to look for the FDIC logo at each teller window. Insured savings associations display a sign with an eagle on it.

What types of bank accounts are insured?

All deposit accounts at an insured institution are insured, including savings, checking, Christmas club accounts and certificates of deposit (CDs). Cashier's checks, money orders, certified checks and traveler's checks drawn on a deposit account are also protected.

Are stocks and bonds insured?

Stocks, mutual funds and most other types of investments are not covered by deposit insurance.

I have FDIC-insured accounts at several banks—are they all covered?

Yes. Your accounts at different FDIC-member institutions are insured separately up to the \$100,000 limit per bank.

Are credit union deposits insured?

Credit unions, like other financial institutions, are regulated by the government. The National Credit Union Share Insurance Fund, administered by the National Credit Union Administration, an agency of the federal government, insures deposits up to \$100,000 per account.

Account Verification Companies

What is an account verification company?

Account verification services are businesses that help banks identify

applicants who have mishandled bank accounts in the past. If you overdraw your checking account and then abandon it while you still have a negative balance, you may be listed with ChexSystems, the major national account verification company.

I want to open a bank account, but I owe \$200 to another bank so I'm listed in ChexSystems. If I pay back the \$200, will my record be cleared?

Not necessarily. The law does not require banks to remove an accurate report of a mishandled account just because the debt is paid. The information about you can remain on file for five years. You can ask the bank to remove the report, but it is under no obligation to do so.

How can I get a copy of my ChexSystems report?

Under the Fair and Accurate Credit Transaction Act (FACTA) amendments to the Fair Credit Reporting Act (FCRA), you are entitled to a free copy of your ChexSystems report once every 12 months:

- You can order your report by phone (800-428-9623), by mail, by fax or online at www.consumerdebit.com. To order by mail, print out the order form from the Consumer Debit Resource web site and mail it to: ChexSystems, Attn: Consumer Relations, 7805 Hudson Road, Suite 100, Woodbury, MN 55125. If you prefer, fax the form to “Consumer Relations” at 602-659-2197.
- You also can get a free copy of your ChexSystems report if a bank refused to open an account for you within the last two months because of information provided by ChexSystems.

I think that ChexSystems made a mistake on my record. What can I do?

If you believe your ChexSystems file contains errors, call (800-428-9623) or fax (602-659-2197) detailed information about your dispute to ChexSystems. You also can write a letter about your dispute and send it to ChexSystems, 7805 Hudson Road, Suite 100, Woodbury, MN 55125. Include a copy of your report with the disputed items clearly marked. You will be notified of the results of the

company's investigation within about 30 days. If an error is found, the company must remove it immediately.

If the investigation does not resolve your dispute, you can add a brief written statement to your file. Date and sign your statement and send it to ChexSystems with a request to add it to your file.

What Kind of Account Do I Need?

What is a checking account?

A checking account allows you deposit and withdraw money and write checks to pay for purchases and bills. With most checking accounts, you will be given a card that allows you to withdraw cash and make deposits at your bank's ATMs as well as other banks.

What is a "lifeline" checking account?

Some states require that banks offer basic checking to accommodate low-income customers. Called "lifeline" or "basic" accounts, they tend to have no (or very low) minimum balance requirements—which means you won't get hit with a monthly fee if your account dips too low. These accounts sometimes have limited check-writing privileges.

What is a savings account?

A savings account is a safe place to keep your money while it earns interest (a return on your money). 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).

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 about 1% interest on savings accounts. If you have \$1,000 on deposit for a year, it will earn about \$10.

How does interest accrue?

There are two kinds of interest, simple and compound. It is easy to figure the return using a simple interest rate. If you lend a friend \$100 for a five-year term with 5% simple interest, at the end of five years you would receive \$125 (\$100 plus \$25 interest). (See example at right.)

A more desirable form of interest is compound interest, which allows you to earn interest not only on your initial deposit, but also on the interest you earn as you go along. Most savings accounts use compound interest.

For example, if you deposit \$100 in an account that pays 5% interest every year, in five years the account—if left untouched—would be worth \$127.63. This is because you earned interest on your interest,

not just on your initial deposit.

(See example at left.)

Simple interest example

Year 1	\$105
Year 2:	\$110
Year 3:	\$115
Year 4:	\$120
Year 5:	\$125

Compound interest example

Year 1	\$105
Year 2:	\$110.25
Year 3:	\$115.76
Year 4:	\$121.55
Year 5:	\$127.63

What is a CD?

CD stands for “certificate of deposit,” a debt instrument which offers 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.

Generally, 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.

What is an electronic transfer account (ETA)?

Electronic transfer accounts (ETAs) are government-sponsored accounts that may be available to recipients of federal benefits, such as Social Security or Supplemental Security Disability Income (SSDI). Where available, the low-cost 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).

What is a money market account?

A money market account is a deposit account that pays interest. Money market accounts provide a better return than traditional savings accounts. However, the accounts usually come with high minimum balance requirements of \$10,000 or more.

You can also write checks on most money market accounts. Insured money market accounts have limited transaction privileges under federal Regulation D (Reserve Requirements of Depository Institutions) which limits account holders to six transfers or withdrawals per month and no more than three checks.

How can I get a free bank account?

Free accounts are available at many banks if you use direct deposit to receive your paycheck or benefits check. This means you will not receive a paper check, but the money will go automatically into your account. Some banks also offer free accounts if you use an ATM for all deposits and withdrawals.

Internet Banking

How can I bank online?

If you have a computer with Internet access, you should be able to bank online. Connect to the bank web site of your choice and sign up for an account, a user name and a password. For a

list of banks with online services, visit Bankrate.com's web site (www.bankrate.com).

What is the difference between Internet banks and brick-and-mortar banks?

The key difference is that Internet banks can exist only on the Internet—with no physical branches. But, in practical terms, most web banks are actually the online counterparts of brick-and-mortar parents, from small regional banks with few branches to large national or multinational corporations. Before depositing money in any bank, use the FDIC institutions search engine (www.fdic.gov) to determine whether the bank is a chartered, FDIC-insured depository institution. If you can't find information about the bank online, call the FDIC at 800-934-3342.

Is it true that online banks pay higher interest rates?

Yes. You may get higher interest rates with an online bank. Some Internet banks pay up to five times as much interest for checking and savings accounts compared to regular banks. Internet banks also offer competitive CD rates, some with no or very low minimum deposit requirements.

What are some advantages and disadvantages of banking online?

With online access to your account, you can check on it anytime—you don't have to deal with long waits on the phone or in teller lines. Checking, savings and credit card transactions can be viewed online as soon as they post to your account. Transferring funds between your accounts is fast and easy—you can instantly move money from savings to checking.

Online banking can have drawbacks, however. At Internet-only institutions, deposits must be made by mail. Although many online banks waive a few ATM fees each month, you can't avoid a charge by the owner of the ATM, unless you seek out banks that do not charge this fee. And, if something goes wrong with your account, you can't go into the branch to settle your problem in person.

What is online bill payment?

Online bill payment is a service offered by banks that allows you to pay your bills by entering the names of companies you owe money to, your account numbers and the amount you'd like to pay. You can program the service to pay certain bills automatically every month or enter specific amounts each time the bills are due. There is usually a fee for the service, but some banks waive the fee when you meet minimum balance requirements. The money earmarked for bill payments is deducted from your checking account on the day you specify the bill to be paid.

What should I know about using online bill payment?

The most important thing to know about online bill payment is that not all creditors can accept money electronically. If you arrange to pay a bill to a creditor who cannot accept electronic payments, the bank will send a check instead—this can take quite a bit longer to get there than an automatic payment would. You can call your creditors to ask, or you can perform this experiment: The first time you use online bill payment for a new creditor, send your payment at least 10 days in advance. Then check the next bill that arrives—if the payment was posted 1-3 days after you made the payment, the company can accept electronic payments. If the payment took a week or longer to post, you'll know that payment was made by check. With this knowledge, you can adjust your payment schedule accordingly.

ATM and Debit Cards

What is an ATM card?

An ATM card is a plastic card linked to your checking or savings account that allows you to withdraw cash and make deposits at your bank's ATMs and to withdraw cash at machines owned by other banks. You also may be able to use your ATM card and secret code to buy things and get cash back at stores.

What is a debit card?

A debit card is a plastic card with a MasterCard or Visa logo on it that is connected directly to your checking 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.

Am I liable for any losses if my debit card is lost or stolen?

You could be liable for some part of the losses arising from unauthorized use of your debit card. When your debit card is lost or stolen, it could be easy for others to use because a PIN is not always required. However, if you tell the bank right away when you find your card missing, you should be liable for only a small amount—or nothing at all.

Always report a lost or stolen debit 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 of the date of the bank statement that reflects the error.

I gave a friend my card and PIN number so she could buy something for me. I found out she bought some things for herself. Am I liable for her purchases?

If you give your debit card and your PIN to someone, you are responsible for any withdrawals or purchases, even if you didn't

authorize them. Guard your PIN carefully—never write it on the card or give it to anyone else.

Banking Services

What is direct deposit?

Direct deposit is a service of employers, payroll companies, brokerages and government benefits programs that will deposit money due to you directly into your bank account using electronic transfer of funds. Direct deposit is a safer, faster and less expensive alternative to issuing paper checks. When you have direct deposit, many banks will waive or lower monthly checking account fees.

What is overdraft protection?

Overdraft protection is an optional banking service. If you're covered, the bank will automatically move money into your checking account whenever there are insufficient funds in your account to cover a check or debit. Depending on the bank, overdraft protection works in one of several ways:

- Your checking account is linked to your savings account. There is usually a transfer fee.
- The bank sets up a line of credit in your name to handle overdrafts. In most cases, you will pay an annual fee, transfer fees and interest on the loan amount. An application and credit approval are required. Most banks round off the advances, so you might receive \$200 to cover an overdraft of \$125.
- Your checking account is linked to your credit card. This works like the line of credit, although the interest rate might be lower.

What is a safe deposit box?

A safe deposit box is a metal drawer in a bank vault that is rented out on an annual basis as a storage place for important papers and small items of value.

Many banks automatically deduct the annual safe deposit box rental fee from your account. When renting a box, you sign a lease with

the bank which establishes the rules for using the box. Banks may prohibit certain items, such as guns, explosives, corrosives or illegal substances, from being kept there.

What should not be kept in a safe deposit box?

Don't keep the originals of your will and life insurance policies 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.

What can be kept in a safe deposit box?

Almost anything that fits can be kept in a safe deposit box, as long as it doesn't violate the terms of your lease. 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 home. These are some of the items you might consider keeping in a safe deposit box:

- Home and auto insurance policies and videos or pictures that provide a record of your home's contents for insurance purposes.
- Birth, marriage and death certificates and other irreplaceable family records.
- Deeds, titles, mortgages, leases and important contracts.
- Stock and bond certificates and certificates of deposit (CDs).
- Valuable jewelry and/or small collectible items such as coins, stamps or medals.

Is it legal to keep cash in a safe deposit box?

There is no law against putting cash in a safe deposit box, but it's not advisable. You are better off keeping your money safe and working for you in an insured interest-bearing bank account or CD.

What is the yearly cost for a safe deposit box?

The annual charge for a safe deposit box is based on the size and depth of the box and can range from \$10-\$40 for a 3" by 21" box

with a depth of 5 inches, to more than \$100 for a 10” by 21” box with a depth of 10 inches or more. Prices vary by institution and location, so it pays to shop around.

Your Money Can Earn Money

I'm thinking about purchasing a certificate of deposit (CD). What should I consider before I make a purchase?

Before entering into any financial agreement, read all the fine print disclosures carefully. Here are some specific things to ask about when purchasing a CD:

- When does the CD mature?
- What are the penalties for early withdrawal? Ask how much you'll have to pay if you cash in your CD before maturity and whether you risk losing any portion of your principal.
- Is the interest rate on the CD fixed or variable? Some variable-rate CDs feature interest rates that increase or decrease over time according to a schedule. Others are tied to the performance of a market index, such as the S&P 500 or the Dow Jones Industrial Average.
- Is the CD callable? If so, the bank (not you) has the right to terminate, or “call,” the CD when interest rates fall. While you won't be penalized, you could lose an attractive return.

What is a U.S. savings bond?

U.S. savings bonds are certificates given to you when you loan money to the U.S. government. You can buy savings bonds from most banks or credit unions. They have to be held for at least six months before they can be redeemed without penalty. To purchase savings bonds, you must have a Social Security number. Bonds can be purchased in different denominations (\$50, \$75, \$100, \$200, etc.). You can cash your bonds at most banks or credit unions.

What are Treasury bills, notes and bonds?

Treasury bills, notes and bonds are securities sold by the U.S. govern-

ment in order to pay off debt and raise cash. When you buy one of these securities, you are lending your money to the government. You can buy Treasury bills, notes and bonds directly from the government by setting up a “TreasuryDirect” account. For more information, call 800-722-2678 or visit the TreasuryDirect web site (www.treasurydirect.gov).

How do tax-deductible individual retirement accounts (IRAs) work?

If you are not covered by a retirement plan at work, you can set up tax-deductible retirement accounts at a bank, credit union or brokerage firm. Contributions and profits are not taxed until withdrawal. Money can be withdrawn without penalty beginning at age 59 1/2. (You are required to start making withdrawals at age 70 1/2.) If you are covered by another retirement plan, you still may qualify for a fully tax-deductible IRA if your adjusted gross income is within the limits. Non-working spouses can contribute to an IRA, even if the working spouse is covered by an employer retirement plan. Go to the Internal Revenue Service web site (www.irs.gov) for more details.

I've heard that Roth IRAs are a great way to save for retirement. How do they work?

Roth IRAs are nondeductible retirement accounts. Unlike a traditional tax-deductible IRA, Roth earnings are tax-free upon withdrawal. Distributions from a Roth IRA are tax-free if made after age 59-and-a-half and the account has been open for five years. Contributions may be withdrawn without penalty at any time.

To be eligible to make the full contribution, your adjusted gross income must be within certain limits. Go to the Internal Revenue Service web site (www.irs.gov) for more details.

Opening a Bank Account

What kind of identification do I need to open a bank account?

Different banks have different requirements, but in general you will be well-prepared if you can provide the following:

- Photo identification (ID) such as a driver's license, state ID card or passport.
- Your Social Security number.
- Proof of your address, such as a utility bill or lease.
- Your mother's maiden name (or some other name you will always remember) for use as a security password on the account.

How much money do I need to open a bank account?

Every bank is different, but \$100 should allow you to open an account at most banks and there are some which require as little as \$25. You can bring cash or a check. (If you are going to make a small deposit, ask about minimum balance fees.)

What is the purpose of a signature card?

When you open a bank account, you are asked to sign a signature card that will be kept on file. Your signature card protects both you and the bank from unauthorized use of your checks by forgers. The signature card is also an agreement between you and the bank, in which you agree to be bound by the bank's rules. Sign the card exactly as you sign checks—if you regularly sign your name with initials, such as “P.F. Jones,” sign the card that way, not “Paul Foster Jones.”

Keeping Your Checking Account Straight

How do I reconcile my checking account?

To reconcile your account, compare the bank statement against your entries in your checkbook register. Follow these steps:

1. Check off each transaction in the register that also appears on your statement.
2. Look for the ending balance on your bank statement.
3. Add to the ending balance any recent deposits not reflected in your statement. This is your new ending balance.
4. Total all withdrawals, checks and debits that are still unchecked in your register. Subtract the total from the new ending balance.

5. This final number should match the ending balance in your checkbook. If not, go back over the steps to find any missed transactions or miscalculation.

How can I avoid bouncing checks?

Balance your checkbook regularly and don't forget to include deposits, debit card transactions, ATM surcharges and bank fees. Compare monthly statements to your checkbook as soon as they arrive. Use the phone, ATM or Internet to check your balance and see when checks and debits have cleared. If you have a joint account, designate one person as the keeper of the checkbook register. Consider using duplicate checks—you can tear the original and the duplicate out of the checkbook to carry with you and when you write the check, you still have the duplicate in your wallet as a reminder of the transaction.

I deposited a friend's check and it didn't clear. I had one large check and several small checks outstanding. Despite having enough money to cover all but the large check, the bank bounced them all, resulting in over \$100 worth of fees. Can my bank do this?

This practice is extremely unfair to consumers. On a day when several checks are presented for payment, some banks process the largest check first. This can cause numerous checks to bounce. If your bank had cleared the smaller checks first, you would have been liable for only one bounced check fee. Complain to your bank in writing and ask to have all the fees but one refunded. Send a copy of the letter to the bank regulator (see page 19).

Saving Money on Bank Fees

What are some ideas for keeping banking costs under control?

Look for a free checking account or one with low minimum balance requirements because a low minimum makes it easier to avoid the fees banks charge if you allow your balance to fall. Some banks have average balance requirements, which may be easier to maintain than

minimum balances because the bank averages out your balance over the entire month—a figure that will be higher than your lowest balance. If you can't find a free or low-cost account, ask if you can combine the balances in your checking and savings accounts to meet the minimum balance requirement and avoid maintenance fees.

To avoid bounced check fees, don't write checks unless you know the money is in your account. If you only rarely bounce a check, ask the bank to reverse the fee when you do. An optional bank service called overdraft protection saves you from bouncing a check (see page 12). Transfer fees and/or interest usually apply but are much lower than bounced check fees.

Another waste of money is paying unnecessary ATM fees—use your bank's ATMs whenever possible. You also can save on fees by getting cash back when you're making a debit card purchase. If you can't avoid ATM fees, take out larger sums less frequently to avoid repeat fees on numerous smaller withdrawals.

Buy checks from a mail-order company instead of your bank. Your bank charges as much as \$25 per box—mail order check printers charge as little as \$5 per box. Some sources for low-cost checks are:

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

If you have an account that doesn't require a certain balance, keep a relatively small amount of cash in your checking account. Put the excess in interest-bearing accounts such as CDs or money market accounts.

Resolving Complaints

My bank statement showed a debit that I didn't make—what can I do about it?

Call your bank immediately—to avoid losing your chance to correct an error, report problems within 60 days of the date of the statement. Contact a telephone customer service representative or a bank

manager for assistance. The bank employee will take down the details of your complaint and initiate an investigation. The bank must let you know the outcome of the investigation. If you are not satisfied with the results, file a complaint with the bank's regulator.

I have tried to solve a problem with my bank, but it has gone on for months without resolution. What can I do now?

If you are unable to resolve a problem with a bank, file a complaint with its regulator (*see next section*). Send your complaint in writing and be sure to include the following information:

- Your name, address and daytime telephone number, including area code.
- The name and address of the bank.
- Your account number.
- The name of the person you contacted at the bank, along with the date.
- Description of the complaint. State concisely what happened, giving the dates involved and the names of bank employees you dealt with. Include copies of statements or other documents that may help to clarify your complaint. Send copies—don't send original documents. Sign and date your letter.

Bank Regulators

How can I find out which government agency regulates my bank or credit union?

The quickest way is to ask the company. Otherwise, here are some tips to help you find the appropriate regulatory agency:

- Banks with “national” in their name or “N.A.” (national association) after the name are regulated by the Comptroller of the Currency, U.S. Department of the Treasury, 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 (http://consumeraction.gov/caw_state_resources.shtml).

- 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 or check its web site (www.fdic.gov). It co-regulates any bank that is covered by FDIC insurance.

Glossary

Annual percentage rate (APR): The interest rate paid if funds are left on deposit for one year.

Annual percentage yield (APY): The amount of interest earned on interest-bearing accounts (checking, savings, CDs), including the added effect of compounding if the money remains on deposit for one year.

ATM card: A bank card that allows a person to withdraw money electronically from a checking account.

Automated teller machine (ATM): Machines that allow customers to deposit or withdraw money from their bank accounts. You must have an ATM card to use an ATM.

Balance: The amount of money in a bank account.

Bank statement: A monthly or periodic summary of a customer's bank transactions.

Basic banking accounts/"lifeline" accounts: Some states require financial institutions to offer special accounts for low-income customers. The number of transactions each month may be limited.

Bounced check: When you write a check for more than you have

in your checking account, your check bounces. Also called an “overdraft.”

Cash back: Many merchants who accept ATM or debit cards for purchases allow customers to withdraw a limited amount of cash at the same time.

Compound interest: Interest that is paid not only on your initial deposit, but also on the interest you’ve earned.

Debit card: An automated teller machine (ATM) card with a MasterCard or Visa logo on it that is connected directly to your checking account. When you use a debit card, money goes immediately from your account to the company you are paying.

Direct deposit: Electronic deposit of wages or benefits into a person’s bank account.

Finance charges: The price lenders charge for the use of their money, including interest and required fees.

Interest: A percentage amount paid by banks to depositors for the use of their money, or by consumers on a loan.

Principal: The original amount of money deposited into a bank account before any interest payments are made, or the basis of a loan.

Modified adjusted gross income: Yearly income including wages, interest, dividends and capital gains minus (if applicable) business expenses, investment losses, education credits, individual retirement account (IRA) contributions, moving expenses and alimony. The adjusted gross income is used to calculate federal income tax as well as to determine eligibility for programs such as the low-income Earned Income Tax Credit or your ability to claim certain tax deductions, such as IRA contributions.

Savings: Money put aside to accumulate and earn interest.

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