

Banking BASICS

Leader's Guide

MoneyWISE

A CONSUMER ACTION AND CAPITAL ONE PARTNERSHIP

T

TABLE OF CONTENTS

Page	Topic
1	Introduction
2	Banks and Banking
2	Credit Unions
3	Federal Deposit Insurance
4	Account Verification Companies
6	What Kind of Account Do I Need?
8	Internet Banking
10	ATM and Debit Cards
12	Banking Services
14	Your Money Can Earn Money
16	Opening a Bank or Credit Union Account
17	Keeping Your Checking Account Straight
18	Saving Money on Account Fees
19	Resolving Account Problems
20	Bank and Credit Union Regulators
20	Glossary

Introduction

Community education about banking is an important priority for community-based organizations and community advocates. There are an estimated 10 million households in the U.S. that 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?

There are different kinds of banks, including national banks, state-chartered banks, savings and loan associations, and savings banks. Banks are for-profit companies. Like other financial institutions that offer personal banking products and services to the public, banks make money by making loans and charging certain fees. 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, and also 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 an account?

A bank (or credit union) 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 a branch. Banks and credit unions pay interest on accounts so that people will put their money in the account instead of keeping it at home. When you deposit money in the bank or credit union, it isn’t locked away in the 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.

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 to

members at competitive rates.

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 CUNA's online credit union locator (www.findacreditunion.com).

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 \$250,000 per person per account ownership category at the same bank is covered. You may have more than \$250,000 insurance coverage if you have different kinds of accounts at the same bank, such as an individual account and a joint account with another person and 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 if the bank failed.

A

ACCOUNT VERIFICATION

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 website (www.fdic.gov) or by calling the FDIC at 877-ASKFDIC (877-275-3342).

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 \$250,000 limit per account ownership category 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 \$250,000 per account.

Account Verification Companies

What is an account verification company?

Account verification services are businesses that help banks and

credit unions identify applicants who have mishandled 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 an 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 financial institutions 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 or credit union 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 Transactions 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 ChexSystems 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 website (<https://www.consumerdebit.com/consumerinfo/us/en/chexsystems/report/chexorderform.html>) 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 or credit union 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 dis-

pute 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, write checks to pay for purchases and bills, and make payments and transfers online. With most checking accounts, you will be given a card that allows you to withdraw cash and make deposits at your bank or credit union's ATMs as well as those owned by other financial institutions.

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) monthly fees or minimum balance requirements, which means you won't get hit with a monthly fee if your account balance 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 or credit union will record your deposits and withdrawals. Some financial institutions don't use passbooks—they send you a monthly or quarterly transaction record (statement).

Most banks and credit unions 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.

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 at 5% simple interest, at the end of five years you would receive \$125 (the \$100 you loaned plus \$25 interest). *(See example at right.)*

Simple interest example

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

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 pay compound interest. For example, if you deposit \$100 in an account that pays 5% interest (compounded yearly), 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.)*

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 that 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. You will also most likely be charged a penalty for early with-

drawal. 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 Income (SSI). Where available, the low-cost account offers an ETA debit card and four free withdrawals per month. Withdrawals can be made at ATMs belonging to your bank or credit union 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 GoDirect at 888-382-3311 or search online at 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 or credit union account?

Free accounts are available at many financial institutions 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 and credit unions also offer free accounts if you use an ATM for all deposits and withdrawals.

Internet Banking

How can I bank online?

If you have Internet access, you should be able to bank online. After

you have opened an account, you can set it up for Internet access by visiting the financial institution's website and registering with a username and a password. Virtually all financial institutions offer the ability to bank online. Visit Bankrate.com's website (www.bankrate.com) to find banks that meet your needs.

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

The key difference is that Internet banks 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 877-275-3342.

Is it true that Internet-only 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, cash and check deposits must be made by mail. Although many online banks waive a few ATM fees each month, you can't

A

ATM AND DEBIT CARDS

avoid a charge by the owner of the ATM, unless you seek out ATMs that do not charge this fee. And, if something goes wrong with your account, you can't go into a branch to settle your problem.

What is online bill payment?

Online bill payment is a service offered by financial institutions 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 or direct deposit 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 if they accept electronic payments, or you can perform this experiment: The first time you use online bill payment for a new creditor, schedule 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 (or both) that allows you to withdraw cash and make deposits at your bank or credit union'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. (A signature may not be required if the transaction is for less than \$25.)

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 notify the bank or credit union 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 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 account statement that reflects the error.

I gave a friend my card and PIN 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 account using electronic transfer of funds. Direct deposit is a safer, faster and less expensive alternative to issuing paper checks. When you use direct deposit, many financial institutions will waive or lower monthly checking account fees.

What are “standard overdraft practices” that come with my account?

This refers to your bank's policy for paying overdrafts. An overdraft occurs when you do not have enough money in your account to cover a transaction. When this happens, you get charged an overdraft fee of, on average, \$30 for each item that you overdraft. Some financial institutions have “standard overdraft practices” to pay overdrafts and charge overdraft fees. New federal rules (2010) require that financial institutions get your permission before paying non-recurring debit or ATM card transactions when you don't have enough money in your account. If you don't opt in, these transactions will be declined when you have insufficient funds, and you won't have to pay an overdraft fee.

What is an overdraft protection plan?

Overdraft protection plans are *optional* banking services that ensure that money is moved from your savings account or a special line of credit into your checking account when you have insufficient funds to cover a check or debit transaction. If you choose to set one up, overdraft protection plans allow you to avoid overdraft fees. Typically, overdraft protection plans work in one of these ways:

- Link your savings account to your checking account. Money will be transferred when you need it, and you will be charged a transfer fee.

- Establish a line of credit or a special credit card account to cover overdrafts. In most cases, you will pay an annual fee, transfer fees and interest on any money you borrow to cover overdrafts. An application and credit approval are required.

What is a safe deposit box?

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

Many banks and credit unions automatically deduct the annual safe deposit box rental fee from your account. When renting a box, you sign a lease, which establishes the rules for using the box. The institution 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 would 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); and
- 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 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 \$15 for a small box to well over \$100 for large one. There is an extra deposit charge for keys.

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 financial institution (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. government 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 website (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 a tax-deductible retirement account at a bank, credit union or brokerage firm. Contributions and earnings in a “traditional” IRA are not taxed until withdrawal. Money can be withdrawn without penalty beginning at age 59½. (You are required to start making withdrawals by age 70½.) 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-sponsored retirement plan. Go to the Internal Revenue Service website (www.irs.gov) for more details.

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

Unlike a traditional IRA, a Roth IRA does not allow a tax deduction for contributions. However, it allows you to take distributions tax-free after age 59½ as long as the account has been open at least five years. With a traditional IRA, you must pay taxes on all your distri-

butions. Contributions to a Roth 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 website (www.irs.gov) for more details.

Opening a Bank or Credit Union Account

What kind of identification do I need to open an account?

Different financial institutions 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 an account?

Every financial institution is different, but \$100 should allow you to open an account at most banks and credit unions, and there are some that 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 an account, you are asked to sign a signature card that will be kept on file. Your signature card protects both you and the bank or credit union from unauthorized use of your checks by forgers. The signature card is also an agreement between you and the bank or credit union, in which you agree to be bound by the institution's rules. Sign the card exactly as you sign checks. For example, 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 account 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 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, debits, online payments and transfers, and bank fees 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, online payments and transfers, ATM surcharges and account 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 deposits, 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 after you write the check you will 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/credit union bounced them all, resulting in over \$100 worth of fees. Can my bank/credit union do that?

This practice is extremely unfair to consumers. On a day when sev-

eral checks are presented for payment, some financial institutions process the largest check first. This can cause numerous checks to bounce. If the smaller checks had cleared first, you would have been liable for only one bounced check fee. Contact your bank or credit union in writing and ask to have all the fees but one refunded. Send a copy of the letter to the institution's regulator if you are not satisfied with the outcome (see page 20).

Saving Money on Account Fees

What are some ideas for keeping account costs under control?

Look for a free checking account or one with low minimum balance requirements. A low minimum makes it easier to avoid the account fees charged if you allow your balance to fall below the minimum. Some financial institutions have average balance requirements, which may be easier to maintain than a minimum balance because the bank or credit union 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 or credit union to reverse the fee when you do. An optional service called overdraft protection saves you from bouncing checks (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 or credit union'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.

Shop around for the best price on printed checks. Some financial institutions charge as much as \$25 per box, while some mail order check printers charge as little as \$5 per box. Some sources for low-cost checks are:

- Checks in the Mail, 800-733-4443 (www.citm.com).
- Checks Unlimited, 800-426-0822 (www.checksunlimited.com).
- Current, 800-848-2848 (www.currentcatalog.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 rest in interest-bearing accounts such as CDs or money market accounts.

Resolving Account Problems

My account statement showed a debit that I didn't make. What can I do about it?

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

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

If you are unable to resolve the problem with the bank or credit union directly, 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 or credit union;
- your account number;
- the name of the person you contacted, along with the date; and
- a description of the complaint.

In your description of the complaint, state concisely what happened, giving the dates involved and the names of 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 and Credit Union Regulators

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

The quickest way is to ask the financial institution. 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, and federal savings and loans and savings banks, are regulated by the Comptroller of the Currency (800-613-6743/www.helpwithmybank.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://www.usa.gov/directory/stateconsumer/index.shtml>).
- Federally chartered credit unions are regulated by the National Credit Union Administration (800-755-1030/www.ncua.gov).

If you don't think your bank falls into any of these categories, contact the FDIC at 877-275-3342 or check its website (www.fdic.gov). It co-regulates any bank that is covered by FDIC insurance.

Additionally, you can file a complaint with the Consumer Financial Protection Bureau (CFPB). The CFPB writes and enforces rules for financial products and services at the nation's largest banks and credit unions. It also operates a complaint unit to help resolve financial disputes between consumers and financial institutions (855-411-2372/www.consumerfinance.gov).

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 card that allows you to withdraw money from your account through an automated teller machine (ATM).

Automated teller machine (ATM): A machine that allows customers to make deposits or withdraw money from their accounts. You must have an ATM card to use an ATM machine.

Balance: The amount of money in an account.

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 “over-draft.”

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. When you use a debit card, money goes immediately from your checking account to the company you are paying.

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

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

Interest: The additional amount, expressed as a percentage of the principal, paid by financial institutions to depositors for the use of their money, or by consumers on a loan.

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

Savings: Money put aside to accumulate and earn interest.

Statement: A monthly or periodic summary of a customer’s account transactions.

Consumer Action

www.consumer-action.org

Contact our Hotline:

www.consumer-action.org/hotline/complaint_form

415-777-9635

Chinese, English and Spanish spoken



This brochure was created by Consumer Action in partnership with Capital One Services, Inc. To learn more, visit the MoneyWi\$e website (www.money-wise.org). © Consumer Action 2010

Rev. 9/12