

# Managing Money

## Questions and Answers About Financial Services

A guide to banking



A project of **Consumer Action**

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## Introduction

An estimated 17 million Americans do not have a checking or savings account. Some people choose not to use a bank, while others have been locked out of the system because of past banking mistakes. But consumers who don't take advantage of mainstream financial services miss out on the many benefits they provide. "Questions and Answers About Financial Services" explains the value of having a bank or credit union account, including being able to deposit your income, pay bills, use a debit card, save money safely, earn interest and enjoy 24-hour account access. It also offers guidance for choosing and managing an account wisely and reducing account costs.

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## Banks and Credit Unions

### ***Why should I have a bank or credit union account?***

- Accounts in banks and credit unions are insured up to \$250,000 by the federal government.
- You can use checks to pay bills, and avoid the hassle and expense of buying money orders or the risk of losing cash.
- A bank where you have an account can serve as a reference for landlords, phone service carriers and utility companies.
- You earn interest on the money in your savings account.
- You do not have to pay for cashing or depositing checks.
- Federal regulations protect you against loss when you use an automated teller machine (ATM) or debit card and limit your potential loss if your card is lost or stolen. (These are cards that allow you to withdraw cash and make purchases by accessing funds in your checking or savings account.)

### ***I like to keep my cash at home, where it's always available. Why should I use a bank or credit union?***

Keeping your money in a bank means that you do not need to have large amounts of cash in your home, where it could be stolen or lost in a fire. And if the money is in a savings account, it will earn interest, which means your balance will grow over time even if you don't add another penny to the account. Also, when you pay for items with cash, there's no paper trail to prove you made the payment or purchase the way there is with a checking account (a canceled check or bank statement). And a lost or stolen check can be stopped or replaced, whereas cash sent in the mail is irreplaceable if lost or stolen.

### ***What is the difference between a bank and a credit union?***

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 (borrowers pay interest to the bank) and charging certain fees.

A credit union is similar to a bank, but it is a non-profit financial cooperative, which means it's owned by its

members and not by outside shareholders. Like banks, credit unions charge interest and fees, but they are typically lower. In order to join a credit union, you must meet its membership requirements, which typically require you to live in a particular area or work in a particular profession or for a specific employer.

### ***What kinds of accounts do credit unions offer?***

Like banks, credit unions offer checking and savings accounts. Most credit unions have their own ATMs where you can make deposits and withdrawals. They typically also offer phone, online and mobile banking options. Also like banks, many offer safe deposit boxes, which are metal drawers in a financial institution's vault that can be used to keep jewelry, paperwork and small valuable items safe. (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.)

### ***If I join a credit union, will it be easier to get a loan even though I have a history of late payments and an automobile repossession on my credit report?***

In some cases, credit unions are more willing to take character and personal references into account when making loans—but this is by no means universal among credit unions. Like banks, most credit unions rely on credit reports when deciding whether or not to grant credit.

### ***Why shouldn't I just get a loan I saw advertised on TV?***

Many companies offer "quick money" to people in desperate circumstances, but those loans often are bad deals, with exorbitant interest rates and high late fees that can drastically increase the amount you owe if you miss even one payment. Often, they use your home, car or other belongings as collateral, which means you risk losing your property if you can't make the loan payments. The best defense against fraud or unrealistic loan terms is to shop around with several lenders. Compare the terms offered by banks and credit unions. Visit [Bankrate.com](http://Bankrate.com) to compare current rates on a variety of loan and account types. Make sure that you will be able to comfortably fit the required payments into your monthly budget. Do not enter into any loan without reading all the fine print and asking what will happen if you can't pay the loan back as agreed.

## **Checking Accounts**

### ***How does a checking account work?***

When you open a checking account at a bank or credit union, you are given an account number. This allows you to deposit money into your account. To access your money, you can write a check, make a withdrawal at an automated teller machine (ATM) using your personal identification number (PIN), make purchases with your debit card and get cash back when you use it at a store that has a "point-of-sale" (POS) machine, and transfer money or pay bills online or using your mobile device. Joint accounts allow co-owners, such as a husband and wife, to use the account together. Each month, the bank provides a statement (by regular mail, email or online) showing your deposits, withdrawals, bill payments, debit card purchases and fees. (It's important to make a note of every transaction as it happens—along with all fees—so you won't forget to deduct the amount from your account balance.)

### ***What is a debit card?***

Debit cards are issued by banks to customers with checking accounts. Debit cards can be used at automated teller machines (ATMs) to withdraw money from your checking account and, like checks, they can be used to purchase items at stores and online. Debit cards look similar to credit cards (they carry a Visa or MasterCard logo) but the money to pay for your purchases comes out of your checking account immediately.

You can use your debit card two ways:

- with a personal identification number (PIN) at an ATM or at grocery stores and some other businesses that allow you to request "cash back" when making a purchase
- with your signature or PIN to pay for goods, meals, gas and services (though for smaller transactions, you may not be asked for a PIN or a signature)

Don't confuse your debit card with an ATM-only card. An ATM card (without the Visa or MasterCard logo) can only be used with a PIN at either a cash machine or to make purchases at some stores with PIN pads.

Be sure to record all transactions in your checkbook register so you won't overdraw your account.

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## ***Are there any benefits to using a debit card?***

- Debit cards help you spend within your means and avoid debt—the money you spend comes right out of your checking account, so there is no monthly bill and no finance charges—while offering the safety and convenience of paying with plastic.
- Paying with a debit card instead of a check lets you skip the wait while merchants check your ID or verify your checking account number.
- A debit card is safer than cash and provides a record of all transactions. (Be sure to report a lost or stolen card immediately to reduce your liability for losses.)
- Many supermarkets and chain stores let you use your debit card with your PIN to receive “cash back” when you make a purchase.
- You can use your debit card almost anywhere in the world to get cash at ATM machines or to buy things. As with credit cards, using your debit card in another country can result in a better exchange rate, even with the currency conversion fees charged by many banks.

## ***What is a “point-of-sale” transaction?***

You can use your debit card to make purchases at stores that accept such cards—this is called a “point-of-sale” transaction. Some businesses, such as grocery stores, will allow you to get cash back while you are making a purchase with your card.

## ***What is a “hold”?***

When you use your debit card in situations where the final transaction amount is unknown—such as at hotels, gas stations or restaurants—the business can ask your bank to place a hold on some of the funds in your checking account. This is done to ensure that you have enough to cover the final amount when it is finally processed. No money leaves your account until the purchase clears, but the hold is active until the actual transaction is settled, which often is within 24 hours but can take much longer.

For instance, when you pay at the gas pump with your card, the station may put a hold on \$75 in your account even if you end up buying only a few dollars worth of gas. Restaurants, too, may seek higher authorizations so that you can add a tip. Even if you pay the tip in cash, part of your balance will remain blocked until the transaction is settled. When you use your card to check into a hotel, the hotel may ask your bank to hold the cost of one or two nights.

While there's a hold on your account, your available balance is reduced by that amount, which could cause checks you've written to bounce if you haven't planned ahead.

## ***How can a checking account help you manage your money?***

A checking account provides a record of the money that goes into your account and the money that comes out of it. With online access, you can see in “real time” when deposits have been made, if checks and other transactions have “cleared” and what your current balance is.

A checking account also makes it easy to transfer money between accounts as needed, which could help you avoid an overdraft—when there's not enough money in your account to cover a transaction. And paying bills with a checking account is quick and easy—in some cases the money is delivered to the recipient within just a couple of days, possibly helping you avoid late fees. Paying by check or online bill pay enables you to avoid the cost of money orders and the time it takes to buy and mail them.

However, good recordkeeping is necessary to avoid fees and problems. Enter checks, debit card transactions, deposits, online and automatic bill payments and all fees in your check register. If you don't record every transaction and fee, you could lose track of your balance and overdraw your account, possibly causing a check to “bounce.” This means that the check is not paid. Both the bank and the merchant will charge a fee for each bounced check. If the bank does cover the overdraft, you will avoid the merchant's “returned check” fee but you will still pay a fee that could be as much as \$30 per overdraft transaction.

***Is there any way to get a checking account that does not charge a monthly fee?***

Free accounts are available at many banks and credit unions if you agree to use direct deposit for your paycheck or benefits check. This means you would not receive a paper check—the money would go automatically into your account. Some financial institutions also offer free accounts if you agree to use the ATM machine for all deposits and withdrawals. With this kind of account, you may be charged a fee if you go to a teller's window. Some financial institutions have fewer restrictions on their free accounts. You might also be able to get a free account if you maintain a minimum balance.

***What is direct deposit?***

Direct deposit is a service of employers, payroll companies, brokerages and government benefits programs that allows money due to you to be deposited directly into your checking or savings account using electronic transfer of funds. Direct deposit is a safer, faster and less expensive alternative to paper checks. Many banks will waive or reduce monthly account fees for customers who use direct deposit.

***Are interest-bearing checking accounts a good deal?***

With the possible exception of those offered by online-only banks, which typically pay higher interest and charge lower fees, interest-bearing checking accounts are a pretty bad deal overall. Interest rates at traditional banks often are lower than 1% and there are likely to be fairly high fees on the account unless you have thousands of dollars on deposit. According to a 2011 Bankrate survey, the average balance required to avoid fees on an interest-bearing account was \$5,587 (vs \$585 for a non-interest checking account) and the average monthly account fee was \$14.15.

***Am I responsible for transactions made with my lost or stolen debit card?***

You may have zero liability if you report the loss within two business days, or you could be liable for up 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 overdraft line of credit if you fail to report an unauthorized transfer or withdrawal within 60 days of the date of the account statement that reflects the error.

Report a lost or stolen card to your bank or credit union immediately.

**Electronic Transfer Accounts*****What is an Electronic Transfer Account (ETA)?***

As of March 1, 2013, all recipients must receive their government benefits (Social Security, SSI, veterans aid, civil service wages or retirement payments, for example) either via direct deposit to their bank account or on a prepaid card. To help federal benefits recipients who have past account problems that keep them from opening a savings or checking account, the government designed a special account called an Electronic Transfer Account (ETA). These accounts are available at participating financial institutions to anyone who receives a federal benefit, wage, salary or retirement payment. The maximum monthly fee for an ETA is \$3. The account must provide a minimum of four free cash withdrawals per month and require no minimum balance. For more information, visit the government's ETA website ([www.eta-find.gov](http://www.eta-find.gov)) or call 888-382-3311.

***As a federal payment recipient, am I required to open an ETA?***

No. If you already have an account where funds can be deposited, or you choose to use a prepaid card, you don't need an ETA. Also, if receiving your benefits via direct deposit or prepaid card would be difficult or impossible because you have a physical or mental disability or a geographic, language or literacy barrier, the government allows you to continue to receive a paper check. Federal agencies are prohibited from withholding or delaying your payments if you decide not to sign up for direct deposit.

***I already have a bank account. Can I get an ETA?***

Yes. ETAs are available to all recipients of federal benefit, wage, salary or retirement payments.

***What consumer protections are available to ETA account holders?***

You have the same consumer protections available to other account holders at the same financial institution.

For example, ETA deposits are federally insured and receive the same “electronic funds access” protections provided to other accounts under Regulation E.

***Where can I withdraw money from my ETA account?***

Your ETA debit card works at many ATMs as well as at point-of-sale (POS) terminals in grocery stores, gas stations and post offices. Some financial institutions may offer over-the-counter cash withdrawals. You can also make purchases with your ETA debit card.

***Is there a limit on overdraft fees on ETA accounts?***

The maximum amount that may be charged for an overdraft on an ETA account is \$10. This fee covers all the overdrafts that occur within a 24-hour period.

***How can I access my ETA balance information?***

Typically, you can check your ETA balance at an ATM, at a teller window, by phone or online. Whatever method you use, account holders must be allowed at least four balance inquiries per month without additional charge. You also must receive a monthly statement.

***Whom do I contact to ask about direct deposit of my federal benefits check?***

Recipients can contact the federal agency responsible for their payments (dial 711 for TTY):

- Social Security Administration: 800-772-1213
- Department of Veterans Affairs: 877-838-2778 or 800-827-1000
- Office of Personnel Management: 888-767-6738
- Railroad Retirement Board: 877-772-5772

## **Savings and Investments**

***What is a savings account?***

A savings account is designed to keep your money safe and to help it grow through interest earnings, which is money the financial institution pays you. You can make deposits into your account, just as you can with a checking account. To withdraw funds, you can use a withdrawal form that you fill out and give to the teller, use your ATM card to withdraw cash at an ATM machine, or make electronic transfers if your account is set up for online access. (When using an ATM, the machine will ask if you want to withdraw the cash from your checking account or savings account before the transaction is carried out.)

Accounts at insured banks and credit unions are covered up to \$250,000 per person per account ownership category at the same institution. You may have more than \$250,000 insurance coverage if you have accounts at different financial institutions or if you have different kinds of accounts at the same financial institution (an individual retirement account (IRA) and a savings account, for example).

Banks are insured by the FDIC (Federal Deposit Insurance Corporation) and credit unions are insured by the National Credit Union Share Insurance Fund, administered by the National Credit Union Administration (NCUA). Look for the FDIC or NCUA sign on display at the branch to make sure it is a covered institution. Or, you can verify whether an institution is FDIC-insured by searching for it on the FDIC’s website ([www.fdic.gov](http://www.fdic.gov)) or by calling 877-ASKFDIC (877-275-3342). You can do the same for a credit union at NCUA’s website ([www.mycreditunion.gov](http://www.mycreditunion.gov)) or by calling 800-755-1030.

***What is interest?***

Interest is the cost of using money. When you deposit money in a savings account, the bank or credit union pays you interest because it uses your money to make loans to other customers. When you carry a balance on your credit card, you pay the credit card company interest because you use the company’s money to make purchases or take cash advances. Interest you pay is expressed as an annual percentage rate (APR), while interest you earn is expressed as an annual percentage yield (APY)—the percentage of the account balance that you would earn in one full year. Currently, most banks pay less than 1% interest on savings accounts. That means if you had \$1,000 on deposit for a year, you would earn \$10 or less.

**What is compound interest?**

There are two kinds of interest: simple and compound. When you are earning interest, compound is better because you earn interest not only on your initial deposit but also on the interest you have accumulated. In contrast, simple interest is calculated only on your initial deposit.

**I receive public assistance—is there a limit to how much I am allowed to save?**

If you are on public assistance, there may be limits to how much you are allowed to have in your savings. For example, some programs set a limit of several thousand dollars on all your cash “assets,” such as savings, stocks and bonds or life insurance. Before you start a savings program, check with your benefits counselor.

**What is an individual development account (IDA)?**

Individual development accounts (IDAs) are special, sponsored savings accounts that help low-income families save money to pay for post-secondary education or job training, buy a home or start their own business. Contributions are augmented or matched by private and public institutions. Most participants in IDAs also take part in mandatory money management classes to help them repair their credit, create a budget and stick to their savings plan.

**How can I find IDA programs in my area?**

Visit the Corporation for Enterprise Development online (<http://cfed.org/programs/idas/>) to view their national directory of individual development account programs.

**How can I make saving money more automatic?**

You can schedule automatic transfers that go from your checking to your savings or individual retirement account (IRA). If you set up the transfer for the day you receive your direct deposit, you won't have an opportunity to spend the money and you may not even miss it.

**What is an individual retirement account (IRA)?**

Individual retirement accounts are savings accounts designed to help people put away money for their retirement. There are two kinds of IRAs: traditional and Roth. IRAs give account owners a break on income taxes either by allowing them to take a deduction on contributions and deferring taxes until withdrawals begin in retirement (traditional IRA) or by allowing them to avoid taxes on the earnings (Roth IRA). For more information on IRAs, visit the Internal Revenue Service (IRS) website ([www.irs.gov/taxtopics/tc451.html](http://www.irs.gov/taxtopics/tc451.html)).

**Where can I establish an IRA?**

Generally speaking, IRAs can be opened at banks, credit unions, savings and loan associations, insurance companies, mutual fund companies and investment brokers. Visit the Internal Revenue Service (IRS) website ([www.irs.gov/taxtopics/tc451.html](http://www.irs.gov/taxtopics/tc451.html)) to learn more about the rules and limits on IRAs.

**What is an investment?**

An investment is an asset that is purchased with the hope and expectation that it will generate income or appreciate (go up in value) in the future. Investments include stocks, bonds, mutual funds and annuities (a form of investment sold by insurance companies). Some people also invest in things like gold and real estate. Investments are different from savings in that they do not offer a guaranteed return and they are not insured. All investments entail some risk, though some investments are much less risky than others. It is this risk that gives investments the potential for greater growth than savings accounts and other guaranteed savings vehicles offer. The money you invest is typically referred to as “capital” or the “principal.”

**My savings account earns 1% interest annually—isn't there a better way to make my money grow?**

Some of your savings should always be available for emergencies. It's better to keep this money “liquid”—available quickly and easily with no risk of losing any of the principal—even if it means earning very little interest. Savings accounts are insured by the federal government, and are considered very safe. Other liquid savings vehicles that may earn more interest while still being insured include money market deposit accounts and CDs.

Of course, you could also make investments, which carry more risk and are not insured—stocks, bonds and mutual funds, which pool a number of investments and then sale shares in the portfolio, are examples. The value of these investments fluctuates (goes up and down), but they often make money in the long term (a few years or more). However, if you have to sell investments in a hurry because of an emergency or an unforeseen expense, you could get less than you paid for them.

### ***What is a money market deposit account?***

Like savings accounts, money market deposit accounts (MMDAs) are interest-bearing accounts offered by FDIC-insured financial institutions and insured up to \$250,000. However, account holders are allowed only six transfers or withdrawals, including a maximum of three checks, per month. MMDA interest rates are usually higher than passbook savings rates, but the accounts come with high minimum balance requirements. If your MMDA account dips below the required balance, you'll pay a monthly fee.

### ***What is a certificate of deposit?***

Certificates of deposit (CDs) are government-insured savings vehicles that can pay as much as double the interest rate of savings accounts. But you may have to agree to leave your money on deposit for six months, a year or longer to get the best CD rates. If you take your money out early, you may have to pay a penalty (a part of your principal) as well as lose interest income.

### ***What are equities?***

Equities are stocks. When you buy stock, you become an owner in the company. Stockholders can make money through dividend payments (a portion of the company's earnings distributed to investors, usually quarterly) and by selling their stock if the share price has risen since they purchased it. Not all stocks pay dividends, and there is no guarantee that stock prices will go up—in fact, they could go down. Before investing your money, learn about the company—its management, competition, prospects for growth, etc.—and analyze its financial performance. Do not blindly follow anyone's advice about stocks or other investments.

### ***What are bonds?***

When you buy bonds, you are lending money to a federal or state agency, municipality or corporation. The issuer pays you interest for a certain number of months or years until the bond comes due. (The end of a bond's term is known as its maturity.) The interest rate paid on a bond is based on the issuer's (borrower's) creditworthiness as well as current interest rate trends. Issuers with good credit are rated higher and they pay a lower interest rate. Bonds issued by companies with poor credit are called "junk" bonds. Junk bonds are very risky but pay more interest, which is why another name for them is high-yield bonds.

### ***What is a mutual fund?***

Mutual funds are portfolios that hold many different stocks, bonds or other securities. Investors can purchase shares of the portfolio, which results in instant diversification—spreading your investment dollars among many different stocks, bonds or other investments. Diversification reduces investor risk because it is less likely that all the investments held in the portfolio will go down in value than that a single stock will go down. Each investor shares in the fund's gains, losses and expenses.

### ***What is a money market fund?***

A money market fund is a mutual fund that invests in short-term holdings. MMFs are not insured but tend to be stable because of the less volatile nature of the short-term investments they hold. The return they offer fluctuates while the share price should always be \$1. MMF shareholders, like other mutual fund investors, pay fees to cover fund management, marketing and other expenses, which reduces the overall return.

### ***I'm interested in investing in a mutual fund, but the minimum initial deposit is \$1,000—more than I have available to invest. Is there any way around the minimum deposit?***

Yes. Many mutual fund companies waive the minimum deposit requirement if you agree to have a consistent amount (as little as \$50) automatically transferred from your checking account or, in the case of employer-sponsored retirement programs, your paycheck each month to buy shares in the fund.

### ***What are U.S. savings bonds?***

Savings bonds are U.S. Treasury securities that can be purchased in denominations of \$25 and up. Interest



income is subject to federal income tax but not state or local income taxes. You can defer paying federal income tax on the interest until you cash in the bonds.

You buy savings bonds at a discount (a percentage of their value at maturity). Interest varies, but you are always guaranteed a minimum return. Savings bonds are payable only to the person to whom they are registered. They earn interest for up to 30 years, but after one year from their issue date you can cash them for their current value. You can buy Series EE (guaranteed to reach face value in 20 years) or Series I (inflation-adjusted) bonds. EE bonds are issued at 50% of their face value (a \$100 EE Bond costs \$50). Series I bonds are issued at face value (a \$100 Series I Bond costs \$100) and pay a fixed rate of interest that is adjusted for inflation. For more information, visit the TreasuryDirect website ([www.treasurydirect.gov/](http://www.treasurydirect.gov/)).

### ***What are Treasury bills?***

Treasury bills (or T-bills) are short-term securities that mature in one year or less from their issue date. T-bills are sold at a discount from their face (or par) value. You make money because you are paid the full face value at maturity. Your profit is the difference between the purchase price and the face value. For example, if you bought a \$10,000 26-week T-bill for \$9,750 and held it for the full 26 weeks, your profit would be \$250, a gain of about 2.5%. You can purchase Treasury bills and find current and historical rates online at the TreasuryDirect website ([www.treasurydirect.gov/](http://www.treasurydirect.gov/)).

### ***What questions should I ask when considering an investment?***

It's important to ask about potential return, risk and liquidity (or how easy it is to get your money when you need it without risking a loss of principal). It is unlikely that you will find a single investment that gives you the best of all three: high return, low risk and liquidity. For example, your savings account at a local bank is very liquid but provides a low return (interest). Stocks offer a potentially higher return but are also riskier and less liquid (if you need to sell in a hurry you might find that your shares are worth less than you paid for them).

## **Opening an Account**

### ***How do I open a checking or savings account?***

Most financial institutions require two pieces of ID, one with a picture on it. (Some accept a matrícula consular—consular ID card—instead of a U.S. government-issued ID card.) In addition, you typically will need a Social Security number or tax ID number to open an interest-bearing account. If you are not authorized to work in the U.S., you can apply for an individual taxpayer identification number (ITIN) from the Internal Revenue Service (IRS). Visit the IRS online ([www.irs.gov/pub/irs-pdf/fw7.pdf](http://www.irs.gov/pub/irs-pdf/fw7.pdf)) or call 800-829-3676 to get Form W-7 (Application for IRS Individual Taxpayer Identification Number). If one bank or credit union is not satisfied with your items of identification, try another one—different financial institutions have different requirements.

You must have some money to open an account. Some banks and credit unions require an initial deposit of only \$1—others ask for \$50, \$100 or \$500. You can use cash or a check to open an account.

### ***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.asmarterchoice.org/](http://www.asmarterchoice.org/)).

### ***Do credit union services cost less than bank services?***

Yes. On average, credit unions charge lower fees than banks. A study by the Consumer Federation of America confirms that credit unions have lower minimum balance requirements and lower checking account fees.

### ***I was told I can't open a checking account because I bounced a check when I closed my account at another bank—how can they do this?***

Many banks screen potential customers through large databases that keep track of negative information about how customers have handled checking and savings accounts in the past. If you have bounced checks or overdrawn your account, your name may be in one or more of these databases. The largest such companies are ChexSystems and TeleCheck. Many people do not know they are in one of these databases until

they try to open an account and are denied. Banks don't have to deny new customers who are listed in these databases, but they almost always do.

### ***How can I find out what is in my ChexSystems report?***

ChexSystems, TeleCheck and similar companies are consumer reporting agencies. As such, they are governed by the Fair Credit Reporting Act. That means that if you are denied an account because of information provided by one of these companies, you have the legal right to receive a copy of your file. Ask the bank or credit union which company provided the report and then contact the company directly to request a free copy of your file within two months of your account rejection.

You also are entitled to a free copy of your report once every 12 months. You can order your ChexSystems report by phone (800-428-9623), by mail, by fax or online at the ChexSystems website ([www.consumerdebit.com/consumerinfo/us/en/index.htm](http://www.consumerdebit.com/consumerinfo/us/en/index.htm)). To order by mail, print out the order form ([www.consumerdebit.com/consumerinfo/us/en/chexsystems/report/chexorderform.html](http://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.

### ***How long will information stay in my ChexSystems report?***

ChexSystems keeps items on file for five years from the date the bank first provided the negative account information.

Some financial institutions have become more receptive to hearing consumers' side of the story. Try to find a bank or credit union officer who will help you to remove your name from the database. Sometimes this is possible if you contact the bank that originally reported the problem and offer to pay any outstanding debt. When the debt is paid, ask the bank to clear your record.

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

If you believe your ChexSystems file contains errors, call to report (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 item(s) 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.

## **Internet and Mobile Banking**

### ***What is online banking?***

Online banking, sometimes referred to as Internet banking, lets you access your accounts and make certain transactions using a computer and Internet connection. Most financial institutions, including banks, credit unions, lenders and investment companies, offer online banking. There are even banks that offer only online accounts. You can set up your current checking/savings accounts for online banking, or you can open a new account online.

Depending on the institution and the types of accounts you have, while you are logged in you may be able to:

- check your current balance
- view account activity (deposits, withdrawals and payments)
- read and download your statements
- search for particular transactions (by date, amount, check number or payee name)
- view canceled checks
- transfer money between accounts
- pay bills (you enter payee information and choose when the bills will be paid)
- view account terms (such as interest rates, fees and due dates)

- set and manage alerts, request a stop-payment or order checks
- contact customer service by instant chat or secure email

### ***Can I get a better banking deal using an Internet-only bank?***

If you are comfortable on the Internet and like the idea of being able to access your account and pay bills from your computer, it's worth looking into. Internet-only banks may save you money in fees and give you better interest rates, not only on savings accounts, but on checking and money market accounts and certificates of deposit (CDs) too.

But remember that you can't go to a local branch to make deposits and withdrawals or to straighten out problems in person. Online banks, which usually don't have ATMs of their own, typically give customers a few monthly credits for fees incurred when using other banks' ATMs. After using up your allotted ATM fee reimbursements, you'll pay an ATM surcharge to withdraw money from another bank's ATM.

### ***How do I get started banking online?***

Virtually all financial institutions offer the ability 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 password.

### ***What is online bill pay?***

Online bill pay, offered by most financial institutions, allows you to pay your bills by entering the names of companies you owe money to, your account numbers and the amount you want to pay. You can set the service up to pay bills automatically each month or you can manually enter the payment dates and amounts each time the bills come due. There may be a fee for the service, but some banks waive the fee when you meet minimum balance or direct deposit requirements. The money applied to bill payments is deducted from your checking account on the day the bill is paid.

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. A mailed check can take quite a bit longer to get to the recipient than an automatic payment would. If you're not sure that a particular creditor can accept electronic payments, make your payment at least 10 days in advance the first time you use online bill pay for that creditor. Then check your next statement—if the payment was posted between one and three 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 the payment was made by check. Schedule future payments accordingly.

### ***What is mobile banking?***

Mobile banking refers to accessing your accounts and making financial transactions using your mobile device—typically a cell phone or tablet. Exactly what you are able to do from a mobile device depends on the type of device, your wireless service plan and the technology used by the financial institution. A smartphone with data service is required to take advantage of the most advanced mobile banking capabilities.

While you can do some banking by text message, and you can bank online by visiting the financial institution's website using the browser on your mobile device, true mobile banking requires you to download an "app," which is a specially designed software application you install on your phone or other device. An app is typically faster and easier to use on a small screen and may even enable you to deposit checks by taking a picture using your phone's built-in camera.

### ***Are there any disadvantages to online or mobile banking?***

Generally, online and mobile banking is convenient and safe. However, potential risks include:

- temporarily losing access to your account, either because you don't have access to a computer, the battery in your mobile device is dead, the Internet connection is interrupted, you are out of wireless service range or the institution's website is "down"
- missing a payment because you don't notice the email that alerts you to electronic bills
- email "phishing" and other scams that try to convince you to provide your account access information
- failing to protect your usernames and passwords, which could allow a stranger to access your account

## Managing Account Costs

### ***What kinds of checking account fees are there?***

You can be charged in different ways for a checking account—monthly maintenance fees, per-check fees, teller fees (when you go inside the bank instead of to the ATM) and/or ATM transaction fees. Compare costs and understand how to minimize or avoid them.

### ***How can I get a free or low-cost checking account?***

There are several ways to get a free checking account (no monthly maintenance fees). Some banks and credit unions offer free accounts if you have your paycheck or government check deposited directly into the account (direct deposit), and some waive account fees if you maintain a minimum balance. Some financial institutions also offer free accounts if you agree to use the ATM machine for all deposits and withdrawals. With this kind of account, you may be charged a fee if you go to a teller's window. If you have a high balance and use other financial services offered by the bank or credit union, you may qualify for free "relationship" banking. Many banks and credit unions also offer free or low-cost "lifeline," or basic, accounts, which have no (or very low) monthly fees and no or low minimum balance requirements. These accounts sometimes have limited check writing privileges, with a per-check fee if you exceed the monthly allowance. Similar basic accounts also may be available for seniors and students.

Be aware that even free accounts have what banks call "unusual activity" fees. These include fees for bounced checks and returned deposits, and services such as stop payment orders and check printing. If you are charged a fee you believe is unfair or too high, ask to have it reversed.

### ***I've heard that low-cost or free checking accounts often have special conditions. What are some of these conditions?***

- Having your paycheck, government benefits check or other regularly scheduled payments deposited electronically into your account. This is called "direct deposit."
- Always using the bank's ATM instead of seeing a teller.
- Not receiving your statement or canceled checks by mail. If you need a copy of a check, the bank will send you one. (There is usually a fee for this, although you may be able to view the check online at no charge.)
- Limiting the number of checks you write. If you want to write more checks, you will be charged a small fee for each additional check.
- Meeting an age requirement. (Many banks have free or low-cost accounts for seniors or students.)

### ***How can I keep my banking costs under control?***

- Understand what activities incur a fee and try to reduce or avoid those charges. Start by asking for a list of fees when you open a new account. It will show all the charges you could incur. Read the inserts that come with your monthly statement or the email notifications you receive, because this is how banks notify you of changes in fees or terms.
- If the account requires that you conduct certain transactions at the ATM, don't use a teller unless you have to.
- Order your checks from a mail order check printing company rather than the bank. Mail order check printing companies typically offer better prices and a wider selection of designs and varieties. Some sources for low-cost checks are:
  - Checks in the Mail ([secure.checksinthemail.com/800-733-4443](http://secure.checksinthemail.com/800-733-4443))
  - Checks Unlimited ([www.checksunlimited.com/800-426-0822](http://www.checksunlimited.com/800-426-0822))
  - Current ([www.currentcatalog.com/800-848-2848](http://www.currentcatalog.com/800-848-2848))
- Meet minimum balance requirements by having your checking and savings accounts at the same institution so that your combined balance satisfies the requirement.
- Consider optional overdraft protection. Bounced check fees are among the highest bank fees you can pay, and you can get hit with more than one per day. Overdraft protection means your financial institu-

tion will process your transaction even if you don't have enough money in your account to cover it. There will still be a fee each time you overdraw your account, but it will be lower than a bounced check fee, and you won't incur a "returned check" fee from the merchant.

- Use ATMs owned by your bank to avoid "foreign" ATM fees. When you use an ATM not owned by your bank, you can get charged two fees—one by the ATM owner and one by your own bank.

***How can I avoid getting hit twice for ATM surcharges—once by my bank and another time by the ATM owner?***

- Bank with an institution that has ATMs where you work, live and shop.
- Join a credit union or smaller bank that is part of a "no surcharge alliance."
- Use an Internet-only bank that gives you some credits against ATM surcharges.
- Get cash back with your purchase at the grocery store or other businesses that allow cash-back transactions.

***What is overdraft protection?***

Overdraft protection ensures that your transaction is covered even if you don't have enough money in your checking account. There will still be a fee, but it will be lower than a bounced check fee, and you won't incur a "returned check" fee from the merchant. New rules prohibit a bank from charging an overdraft fee for point-of-sale debit card and ATM transactions unless you've opted in, which means that these types of transactions, if they would cause you to exceed the balance in your checking account, would most likely be declined unless you have agreed to the overdraft protection and resulting fees. For checks and recurring debits (automated payments), banks can cover the transactions and charge an overdraft fee unless you've specifically opted out. 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 a transfer fee and interest on any money you borrow to cover overdrafts, and there may be an annual fee for the service as well. Credit approval is required.

Less expensive options include linking your checking account to a savings account from which you can transfer money when funds get low; keeping tabs on your checking account balance through "low balance" alerts if your bank offers them; and using a credit card for emergency purchases if you don't have enough money in your checking account.

***What if I can't qualify for a traditional credit card—what are my other options?***

Many people who can't get a traditional, unsecured credit card will qualify for a secured card. A secured credit card is a bank credit card that is backed by money you deposit and keep in a linked bank account. The money serves as security for the card. If you default on your credit card bill, the money in your account will be used to cover that debt. Your deposit earns interest while serving as security, just as it would in any savings account.

Virtually all secured credit cards have annual fees that can range from \$15 to \$90 per year. Bankrate.com is a website that has frequently updated information about secured credit cards. Also, read Consumer Action's secured card survey and newsletter for more information ([www.consumer-action.org/news/articles/2011\\_fall\\_issue\\_secured\\_credit\\_card\\_survey/](http://www.consumer-action.org/news/articles/2011_fall_issue_secured_credit_card_survey/)).

## **Avoiding Overdrafts and Errors**

***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 account 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, electronic 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 miscalculations.

### ***How can I avoid bouncing checks?***

Balance your checkbook regularly and don't forget to include deposits, debit card transactions, online payments, electronic transfers, ATM surcharges and account fees. Compare monthly statements to your check register 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 check 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 several checks are presented for payment, some financial institutions process the largest check first. This can cause numerous checks to bounce if the bank decides not to cover them or you have opted out of overdraft coverage. If the smaller checks had been 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 (see next question/answer) if you are not satisfied with the outcome.

### ***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 on which the error first appears. Contact a customer service representative or a manager for assistance. The employee will record 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. The quickest way to find out which agency regulates your bank 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, U.S. Department of the Treasury (800-613-6743/[www.helpwithmybank.gov](http://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 in the Index of State and Local Consumer Agencies on [USA.gov](http://USA.gov) ([www.usa.gov/topics/consumer.shtml](http://www.usa.gov/topics/consumer.shtml)).
- Federally chartered credit unions are regulated by the National Credit Union Administration (800-755-1030/[www.ncua.gov](http://www.ncua.gov)).

If you don't think your bank falls into any of these categories, contact the FDIC (877-275-3342/[www.fdic.gov](http://www.fdic.gov)). It co-regulates any bank that is covered by FDIC insurance.

## Consumer Action

[www.consumer-action.org](http://www.consumer-action.org)

*Consumer Action empowers low- and moderate-income and limited-English-speaking consumers nationwide to financially prosper through education and advocacy. We offer training, free multilingual publications and up-to-date information on a wide range of financial and consumer topics. E-mail: [info@consumer-action.org](mailto:info@consumer-action.org)*

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Consumer Action provides consumer advice, suggests appropriate complaint-handling agencies and distributes free consumer education publications. Leave a message and a counselor will call you back. Chinese, English and Spanish spoken. 415-777-9635 or 213-624-8327. Or send an e-mail message to: [hotline@consumer-action.org](mailto:hotline@consumer-action.org).

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