

Keys to Your Financial Future

Key Seven
Banking

Other Financial Service Providers... It's not just banks and Credit Unions

- ▶ **Payday Loans-** A short-term loan secured with a postdated check or authorization to debit your checking account. Payday lenders make money because customers must renew these loans over and over again, each time they do this they charge a fee.
- ▶ **Postdated check-** a check written for a date in the future.
- ▶ **Pawnshop Loans-** A short-term loan secured with a valuable item or asset. The loan you get will be worth far less than the value of the item. If you do not pay the loan as spelled out in the agreement, you will lose the asset.
- ▶ **Vehicle loans-** A short-term loan secured with your vehicle title. The title is a legal document that shows who owns the vehicle. The loan you get will be worth far less than the value of your vehicle. If you do not pay or renew the loan as spelled out in the agreement, you will lose the vehicle.

How Banks Work

- ▶ For profit.
- ▶ You are a customer and anyone can be a customer.
- ▶ Profits go to owners and shareholders.
- ▶ Generally, a wide range of products and services.
- ▶ Often many locations and online banking and mobile app access.

Credit Unions Work

- ▶ Nonprofit.
- ▶ You are a member owner-to join a credit union you must meet member criteria, which is generally based on your job or where you live.
- ▶ Profits are returned to the members through lower fees on products and services.
- ▶ May offer fewer services than banks.
- ▶ Often fewer locations than banks; Online or mobile app access to accounts depends on the credit union.

Both Banks and Credit Unions Offer

- ▶ **Savings account-** Provides you with a safe place to put your savings.
- ▶ **Checking account-** An account that helps you pay your bills securely. You can pay with things without cash using your debit card, writing checks, or setting up automatic payments.
- ▶ **Certificate of Deposit (CD)-** A fixed amount of money is deposited with a bank for a fixed amount of time. The interest rate is usually higher than a saving account.

Benefits of Using a Bank or Credit Union

- ▶ **Safety**- Your money is safe from theft, loss, and fires. FDIC or NCUA insures your deposit.
- ▶ **Convenience**- You can get money quickly and easily.
- ▶ **Cost**- Less expensive than using other business to cash checks, pay bills, or get a loan.
- ▶ **Financial Future**- Establishing a record. Help build savings, get a loan in the future.

- ▶ **Money Orders-** Used to pay a bill through the mail without sending cash. Money orders at a bank or credit union are less expensive than at a grocery store.
- ▶ **Wire Transfer-** Allow you to send money to or receive money from a distant location.
- ▶ **Automated Teller Machines (ATM)-** Allow you to get cash or deposit a check from many different locations.
- ▶ **Electronic Benefits transfer (EBT)-** If you receive public assistance it can be electronically deposited into your bank or credit union account. The money is available immediately.
- ▶ **Online and mobile banking-** Managing your accounts using the internet or your mobile device.
- ▶ **Personal Service-** Employees are there to serve you, ask questions about any of your financial issues, they are there to help!

Cost of Using a Bank or Credit Union

- ▶ **Fees**- Banks and Credit unions will charge customers for being members or for service fees. Fees can increase when customers do not keep their minimum balance.
- ▶ **Information**- They may ask you for a lot of personal information.
- ▶ **Confusion**- There are lots of different choices and rules for different accounts that banks or credit unions can offer.

Types of Checking Accounts

Free checking:

- ▶ No monthly fees.
- ▶ No minimum balance requirement.

Student Accounts:

- ▶ No or low minimum balance requirements.

Joint Accounts:

- ▶ Allow co-owner to have equal access to the account.

Overdraft Protection

- ▶ **Bouncing a check or over drafting-** Make a purchase that exceeds what you have in your account.
 - You pay a fee to the business (\$30 or more) and a fee to your bank (\$20 or more)
- ▶ **Overdraft Protection-** Banks will honor your check or check card purchase even if they exceed your account balance.
 - So you pay a fee to the bank for each over draft (\$10-\$20).

Endorsing a Check

- ▶ **Blank endorsement**- Sign your name, just as it appears on the front of the check on the top line. This is to cash, deposit, or give to someone else to cash or deposit.
-Include the phrase **“For deposit only”** above or below your signature if you plan to deposit your check.

Credit

- ▶ Credit Cards- Banks and credit unions issue credit cards.
- ▶ Lines of credit-Allows you to borrow up to a certain amount. This must be paid off completely once a year.
- ▶ Installment loans- Paid back in even payments over a certain period. Could be used for car, education, or business.
- ▶ Mortgages- These are loans for a house, condo, or other real estate.

Jackson Shops Around for a Bank or Credit Union

Jackson is ready to open a checking account. He's been working at the community center for about four months and has been cashing his paychecks at a convince store. This costs about \$5.00 each time. He pays his bills using money orders, but this is time consuming and costs a little money for each money order he buys. He has never had an account at a bank or credit union, so he's a little nervous about it. He works and attends school in his neighborhood, so he doesn't have or need a car right now. He walks or bikes everywhere.

Questions Jackson Should Ask

- ▶ Is there a minimum balance?
- ▶ Is it close to work or where I live?
- ▶ Is it open during hours I need?
- ▶ Will I have ATM and Mobile access?
- ▶ Is there an overdraft fee or minimum balance?
- ▶ Are there monthly maintenance fees
- ▶ Will I earn interest?
- ▶ What other fees may apply?
- ▶ Is it FDIC or NCUA insured?
- ▶ Do I feel welcomed?
- ▶ Is staff available to help me?
- ▶ Am I old enough to join? Do I need a co-signer? Joint owner?
- ▶ What identification documents do I need?
- ▶ Do banks check credit history?
- ▶ Do they offer secured credit cards?
- ▶ Do they offer credit building loans?

Prepaid Cards

- ▶ **Prepaid Card**-Looks like a debit card but it's not linked to an account. You load money to the card in person, by phone, or online. You can use the card where ever they accept debit cards or even with ATM's.

Different types of Prepaid Cards:

Open-loop- Has credit card network logo on it. Can be used at any location that accepts credit cards.

Reloadable- Card you can add more money on.

Payroll- Prepaid card your get from your employer. Your paycheck is loaded onto it.

Government Benefit- Used by government agencies to pay certain government benefits such as, unemployment, disability, and more.

College or University Card- open or closed loop. Closed loop means you can only use it for things on campus. Open loop means you can use at any retail location that accepts credit card and network brand.

Dealing With Lost or Stolen Cards

- ▶ The type of card it is.
- ▶ What the contract associated with the card promised.
- ▶ How quickly you report the loss.