

## KEY 7 Participant Guide Banking

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# KEY 7 Banking



“Banking” is the seventh key in *Keys to Your Financial Future*, a financial capability curriculum for young people. This key covers how banks and credit unions work, the benefits and costs of using banks and credit unions, and the products and services available at these financial institutions. Key 7 also examines how to choose a financial institution, how to use a checking account and the differences among credit, debit and prepaid cards among other topics.

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# What You're Going to Know or Be Able to Do

By the end of this key, you'll know or be able to do the following:

**LIST AND KNOW THE DIFFERENCES** among the range of businesses that provide financial products and services.

**DESCRIBE THE DIFFERENCES** between banks and credit unions.

**PREPARE FOR OPENING AN ACCOUNT** at a bank or credit union using a checklist.

**UNDERSTAND POTENTIAL OBSTACLES** to opening an account.

**EXPLAIN HOW TO MANAGE A CHECKING ACCOUNT** and avoid some fees.

**COMPARE BANKS AND CREDIT UNIONS** using key criteria.

**DESCRIBE** the transaction, deposit, credit and other services available at banks and credit unions.

**EXPLAIN AND ACCESS** both mobile and online banking, deposit and bill payment services.

**EXPLAIN THE DIFFERENCES** in credit cards, debit cards and prepaid cards, including the protections they have in case of loss or theft.



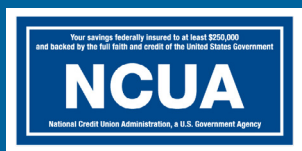


## DEPOSIT INSURANCE

How do you know if a financial institution insures your deposits? In a bank, look for a sign that reads: “FDIC Insured.” This means that the Federal Deposit Insurance Corporation (FDIC) insures it. The FDIC logo will be on the door or window of the bank, on brochures and even on your bank statements.



In a credit union, look for the NCUA insurance logo. This means the credit union is covered by the National Credit Union Share Insurance Fund. The National Credit Union Administration (NCUA) runs it.



# FINANCIAL INSTITUTIONS AND FINANCIAL CAPABILITY

**Financial institutions** help people manage their money. They provide a safe place to save and access to credit. Knowing about financial institutions and the products and services they offer is a key to financial capability.

Many businesses offer financial products and services. You may be thinking about banks, but the list is a lot longer — the government makes loans, department stores have charge cards and furniture rental stores offer credit to name a few. All companies that provide financial products and services make money from them.

There are some **financial service providers** that are special because they accept deposits from customers or members. Institutions that can accept deposits include **banks** and **credit unions**.\*

The government watches these institutions to make sure they are careful with your money. Agencies of the government insure the money you put in banks and credit unions — up to \$250,000 per account.<sup>†</sup> This insurance protects your money in case the institution has problems and makes these institutions a safe place to put your money.

\* Thrifts or savings and loan associations take deposits. They are less common and not included in the text.

<sup>†</sup> This is another example of a service the government provides with tax revenue.



## Other Financial Service Providers

There are other businesses that provide financial services. But, they do not take deposits and work differently than banks and credit unions. Other financial service providers include **check-cashing stores, payday lenders, car title lenders and pawnshops**. They often offer services that get you access to credit. Usually they don't ask for much information from you, so you can get a loan very quickly.

They often charge very high prices for their services. Here is an example<sup>‡</sup>:

PERSONAL LOAN \$500 for 12 Months	PAYDAY LOAN	CREDIT UNION OR BANK
Interest rate	\$15 for every \$100 borrowed 261% APR	1% per month 12% APR (interest and fees charged to everyone)
Cost of credit	\$50 every 2 weeks If loan is renewed or rolled over 10 times \$50 x 10 renewals = \$500	\$5/month x 12 months = \$60/year
Collateral	None	Depends on individual's credit. If no credit or poor credit, would likely have to secure the loan with an equal deposit.
Total amount repaid	\$500 (borrowed) + \$500 (fees) = \$1,000	\$500 (borrowed) + \$60 (interest and fees) = \$560

<sup>‡</sup> The rates and terms are examples.

Products that are often high cost include the following:

**Payday loans** — a short-term (often two-week) loan secured with a postdated check or authorization to debit your checking account. A postdated check is one written for a date in the future. Payday lenders make money because customers must renew these loans over and over again. Each time, they charge fees.

**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 or renew the loan as spelled out in the agreement, you will lose the asset.

**Vehicle title 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 the vehicle. If you do not pay or renew the loan as spelled out in the agreement, you will lose the vehicle.

People often think they will be able to handle the terms of these loans. But by using these products, people often end up paying a lot of money, losing assets and staying in debt a lot longer than they originally planned.

## KEY RESOURCE

### GETTING HELP TO AVOID SHORT-TERM HIGH-COST LOANS

People often turn to high-cost loans to pay bills. Why? They don't have enough money. A budget may help you avoid this situation. But if you do get into a bind, identify trusted adults that can help you find other options for paying your bills and avoiding high-cost lenders. It could be a school counselor, someone who works at a bank or credit union or staff in a program you participate in. Remember you are going to them for help identifying options, not for money to pay your bills.

Name and contact information:

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Name and contact information:

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## HOW BANKS AND CREDIT UNIONS WORK

Banks and credit unions are generally a good place to start when thinking about financial services. If you are under 18, you will likely need an adult to act as a custodian who has to cosign for any account you open at a bank or a credit union.

You are probably more familiar with banks since there tend to be more of them, but banks and credit unions offer similar financial services. There are some differences, too.

BANKS	CREDIT UNIONS
<ul style="list-style-type: none"><li>• For profit</li><li>• You are a customer, and anyone can be a customer*</li><li>• Profits go to owners and shareholders</li><li>• Generally, a wide range of products and services</li><li>• Often many locations and online banking and mobile app access</li></ul>	<ul style="list-style-type: none"><li>• Nonprofit</li><li>• 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</li><li>• Profits are returned to the members through lower fees on products and services</li><li>• May offer fewer services than banks</li><li>• Often fewer locations than banks; online or mobile app access to accounts depends on the credit union</li></ul>

\* There are some things that can prevent an individual from becoming a bank customer.

Even though they have differences, banks and credit unions work in basically the same way. Banks and credit unions take in money and loan out money. They take money in through **deposits**. **Savings accounts** and **checking accounts** are examples of deposits. They pay interest to people who deposit money.

They lend money through loans — loans for cars, businesses, homes and more as well as credit cards. They charge interest to the borrower.

The rate of interest a financial institution pays to depositors is ***much less than*** they charge to borrowers. This is one of the ways they make money.

They also make a lot of money by charging fees. Examples of products and services that may result in fees include:

- submitting a loan application;
- going below the **minimum balance** required;
- making too many **withdrawals** in a month;
- using a checking account — monthly fees;
- writing checks that go over your available balance — **nonsufficient funds (NSF) fees**;
- using **overdraft protection**;
- using **online bill pay**;
- requesting **paper statements**;
- using an **ATM** not owned by the bank or outside the bank's network; and
- renting a safe deposit box.

## BENEFITS AND COSTS OF USING BANKS AND CREDIT UNIONS

There are both benefits and costs to using banks and credit unions. It's important to understand these before opening an account.

**Safety** — Your money is safe from theft, loss and fires. **FDIC** or **NCUA** insures your deposits. This means that if the bank or credit union gets robbed, is managed poorly or catches on fire, your money will be replaced up to \$250,000 per account — ***if the institution is insured.***

**Convenience** — You can get money quickly and easily. You may be able to use an ATM, debit card, electronic payment or visit the bank or credit union in person.

**Cost** — Using a credit union or a bank is often less expensive than using other businesses to cash your checks, pay bills and get loans.

**Financial Future** — Building a relationship with a credit union or a bank will establish a record. It can also help you build savings. This may help you get a loan from a bank or credit union in the future.

Here are some costs or disadvantages of using banks or credit unions:

**Fees** — Banks and credit unions also make money by charging their customers or members fees for some services. Often the fees increase when customers cannot keep the right minimum balances or they use more money than they have in their accounts — overdraft charges and NSF fees.

**Information** — Banks and credit unions may ask you for a lot of personal information to use some of their products or services. Some people use payday lenders or check-cashing businesses because they ask for very little information to use their services or products.

**Confusion** — There are many choices for accounts. Each account has different rules. This can be confusing and lead to people misusing accounts.

# BANK AND CREDIT UNION PRODUCTS AND SERVICES

There are three general categories of products or services available at banks and credit unions:

- **depository accounts** — accounts you put money into (your deposits) for safekeeping, bill paying and general money management;
- **credit** — money you borrow; and
- **other services** — services to help you manage your money or keep your money safe.

## Depository Accounts

### Savings Accounts

A savings account provides you with a safe place to put your savings. Opening a savings account may help you get into the habit of saving.

There are limits on the number of withdrawals you can make from your savings account. The federal limit is six within a month.

Use online banking or a mobile app or get statements to make sure deposits and withdrawals are accurately recorded and to keep track of your balance.

### Checking Accounts

A checking account is an account that helps you pay your bills securely. With a checking account, you can pay for things without cash. You can use a debit card, set up automatic payments (automatic debits) or write checks.

If you write a check and there is not enough money in your account, you could bounce the check. You may have to pay a fee to the person you wrote the check to of \$25, \$30 or even more. Your financial institution will also charge you a nonsufficient funds or NSF fee.



If you use your debit card or a scheduled automatic payment occurs and there is not enough money in the account, the transaction will be declined. If you have overdraft protection, the transaction will be covered. But this is costly. You will pay a fee for each transaction covered by overdraft protection. Then you owe the bank the money they used to cover your overdrafts, as well as the fees. A safer, less costly option is linking your checking account to a credit card or line of credit.

You can track your transactions and balances using online banking, a mobile app or statements mailed to you monthly.

### Certificates of Deposit

A certificate of deposit (CD) is another depository account. It is a fixed amount of money deposited with a bank for a fixed amount of time. The interest rate is usually higher than that of a savings account.



SAVINGS ACCOUNT	CHECKING ACCOUNT	CERTIFICATE OF DEPOSIT
<ul style="list-style-type: none"> <li>• Safe place to build savings</li> <li>• You can deposit money into and take money out of this account</li> <li>• Withdrawals limited — six per month</li> <li>• You can access these funds in person, via an ATM, online or through mobile app</li> <li>• Earn interest — some accounts offer slightly higher rates if a high minimum balance is maintained</li> </ul>	<ul style="list-style-type: none"> <li>• Secure way to pay your bills</li> <li>• You can use a debit card, write checks, set up automatic payments or use online or mobile banking to make payments</li> <li>• Can also link to payment apps</li> <li>• Provides a record of how you spend your money</li> <li>• You must keep track of your balance so you do not spend more than you have</li> <li>• You can opt in to overdraft protection to cover situations when you spend more than you have, but this is expensive</li> <li>• Or you can link your account to a credit card or line of credit to cover overdrafts — this is less expensive than overdraft protection</li> </ul>	<ul style="list-style-type: none"> <li>• Safe place to build savings if you don't need access to the money</li> <li>• You generally must have a large deposit (\$500, \$1,000 or more)</li> <li>• You will earn more interest than in a savings account</li> <li>• But, you must keep the deposit in the bank or credit union for a specific period</li> </ul>



## AUTOMATIC TELLER MACHINES

If you have never had a bank account, automatic teller machines (ATMs) may be new to you.

To access money from an ATM, you need an ATM card or debit card linked to your bank (or credit union) account.

Each bank and most credit unions have their own ATMs. As a customer or member, you can usually deposit or withdraw money from these ATMs for free. Some banks or credit unions belong to ATM networks. If your bank

or credit union belongs to a network, you can use its ATMs for free.

Sometimes, people use other ATMs because they are not near an ATM owned by their bank or credit union. You will generally have to pay a fee for withdrawing money at these ATMs. These fees can be \$2.00, \$3.00 or even \$3.75 per transaction.

If you are withdrawing \$30 and the fee is \$3, you are paying 10 percent to get your money. These fees can add up, so it's best to use your bank or credit union's ATM or use an ATM within your network.



## ACCOUNTS AND ASSET BUILDING

Are savings accounts assets?  
Are checking accounts  
assets? What about CDs?

Depository accounts are financial assets. They contribute to your overall net worth because they generally do not have a corresponding liability.

These accounts are a key to asset building and economic independence.

## LOANS AND ASSET BUILDING

Are loans assets? The answer is no. In fact, loans are liabilities.

A liability is something you owe. Often loans are used to afford assets — a loan for a refrigerator, a car, a home, a business or an education.

While loans may help you get assets, they decrease your net worth.

Finally, a liability creates a financial obligation until the debt is paid in full. A loan gives you the ability to get an asset today, but you are obligating your future income until the debt is paid off.

## Credit

You can borrow money from credit unions and banks, too. There are four ways you can borrow money:

**Credit cards** — Banks and credit unions issue credit cards. Credit cards are considered revolving credit. You can borrow repeatedly up to the credit limit if you pay the minimum balance when it's due monthly.

Once you are 18, you can apply for a credit card if you have a regular source of income or a cosigner. Otherwise, you will have to wait until you are 21 years old.

**Lines of credit** — Similar to a revolving credit card, lines of credit allow you to borrow up to a certain amount. Usually, this must be completely paid off once per year.

**Installment loans** — These are loans that are paid back in even payments over a certain period. Installment loans may be used for cars, education and businesses.

**Mortgages** — These are installment loans for a house, condominium or other real estate.

## Other Services

While many of these services may be offered at pawnshops or check-cashing outlets, they generally cost less at banks and credit unions.

- **Direct deposit** — Most employers will allow you to directly deposit your paycheck into your account. You will need to give your employer your bank account information, including the routing and transit number for the bank.
- **Check cashing** — Once you are a member of a credit union or the customer of a bank, you will generally not have to pay a fee to cash a check.
- **Money orders** — Money orders can be used to pay for bills through the mail without sending cash. Money orders at banks and credit unions are usually less expensive than money orders sold in convenience or grocery stores.
- **Wire transfers (remittances)** — Wire transfers allow you to send money to or receive money from distant locations.



- **Automated teller machines** — ATMs allow you to get cash or deposit cash 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. This includes cash assistance, disability payments and Social Security payments. The money is immediately available. You do not have to worry about the check getting lost or stolen.
- **Online and mobile banking** — Online and mobile banking means managing your accounts using the internet or your mobile device. This gives you real-time information on your account balance. You should note this won't account for deposits or checks that haven't cleared.
- **Personal service** — Employees at banks and credit unions are there to serve you. You can ask questions about your bank statements, credit options, savings options and other financial issues.



## CHOOSING A BANK OR CREDIT UNION

If you have decided to use a bank or credit union, you need to pick one that best meets your needs. Shop around. Find the right institution for you.

Use the following worksheet to help you decide which is right for you, if there is more than one choice to consider. Even if you have already decided which bank or credit union to use, you may want to make sure you know the answers to the questions in this worksheet.



### STAY SAFE IN A DIGITAL ENVIRONMENT

If you use online or mobile banking, make sure you are taking steps to keep your information safe:

- Never store your password on your computer or mobile device.
- Use two-factor authentication: a password plus an access code delivered through a software program or text.
- Change your password often.
- Make sure the online banking website starts with "https." This means it is secured. Make sure there is a locked padlock in the browser bar, too.
- Never provide information about your accounts — account numbers, owner names, passwords or personal identification numbers — in response to an email request for this information. **THIS IS MOST LIKELY A SCAM.** Banks and credit unions would never ask you to update information in this way. It is unsecure.

## KEY ACTIVITY

# 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 convenience 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.

He needs to choose a bank or credit union, so he used the worksheet from his *Keys to Your Financial Future* participant guide to shop around and compare options.

Using the information Jackson collected, select the financial institution you think is best for him.

	BANK OR CREDIT UNION 1 Name: Neighborhood Bank	BANK OR CREDIT UNION 2 Name: Community Credit Union	BANK OR CREDIT UNION 3 Name: Awesome Online Bank
<b>SAFETY</b>			
Is it FDIC or NCUA insured?	Yes	Yes	Yes
<b>YOUR NEEDS</b>			
Do I feel welcome?	Unsure	Yes	No one really to welcome me
Is staff available to help me?	Yes — in person, by phone and by email	Yes — in person and by phone, unsure about email access	Not in person — using live chat and phone if issue not resolved using chat
Am I eligible to join (if credit union)?	N/A	Yes	N/A
<b>REQUIREMENTS FOR OPENING AN ACCOUNT</b>			
Do I need a cosigner, custodian or joint owner (if under 18 years of age)?	Yes	Yes	No, if you are 16
What identification documents do I need to open an account?	Two forms of identification — one with picture and age and another proof of residence  Must also provide Social Security number	Two forms of identification — one with picture and age and another proof of residence  Must also provide Social Security number	Two forms of identification — one with picture and age and another proof of residence  Must also provide Social Security number

	<b>BANK OR CREDIT UNION 1</b> Name: Neighborhood Bank	<b>BANK OR CREDIT UNION 2</b> Name: Community Credit Union	<b>BANK OR CREDIT UNION 3</b> Name: Awesome Online Bank
Does the bank check banking history reports or credit reports before allowing a savings or checking account?	Yes, but will open account with completion of a financial education course and repayment of debts owed to them if applicable	Yes	Yes
Is there a minimum balance requirement for opening checking or savings accounts?	\$50 for savings or checking	\$5 to join; \$25 required in either account	\$5 for savings; no minimum for checking
<b>ACCESS AND CONVENIENCE</b>			
Is the bank or credit union close to where I live, go to school or work?	On bus route	In neighborhood	No, but can access online anytime
Is it open during hours I can visit?	Yes	Only on Fridays and Saturday mornings	Can access anytime
Will I have ATM access? Are there many bank- or credit union-owned ATMs accessible to me?	Yes, part of a network	No, only three ATM locations in town	Yes, part of a network
Does it provide online and mobile banking?	Yes	Yes, to online banking Mobile app in development	Yes
<b>FEES</b>			
Is there a fee for going below a minimum balance?	Yes	Yes	Yes
What are the overdraft protection fees?	\$25 per overdraft	\$15 per overdraft	\$30 per overdraft
Are there monthly account maintenance fees?	No, if minimum balance maintained If not, \$25	No	Yes, \$5 If you keep a balance of \$1,500, you avoid this fee
What other fees are possible with a savings account?	For making too many withdrawals and paper statements	For making too many withdrawals and paper statements	For making too many withdrawals and paper statements
What other fees are possible with a checking account?	New checks Stop payment	New checks Stop payment	New checks Stop payment
<b>INTEREST AND STATEMENTS</b>			
Will I earn interest?	0.8%	1%	1.85%
What is the rate of interest (APY)?	Must have at least minimum balance to earn it	Must have at least \$100 to earn it	Must have at least \$250 to earn it

	<b>BANK OR CREDIT UNION 1</b> Name: Neighborhood Bank	<b>BANK OR CREDIT UNION 2</b> Name: Community Credit Union	<b>BANK OR CREDIT UNION 3</b> Name: Awesome Online Bank
Can you access account information via online or mobile banking?	Yes	Yes, via online Not yet, via mobile	Yes
<b>OTHER SERVICES</b>			
What additional services will I be able to access?	Credit cards Loans Check cashing International remittances Free to deposit checks using mobile app	Credit cards Loans Check cashing	Credit cards Loans Check cashing Free to deposit checks using mobile app
Do they offer secured credit cards?	Yes	Yes	Yes
Do they offer credit-building loans?	Yes	No	No

**What bank or credit union is the best option for Jackson? Why?**

# Key to Your Financial Future: Choosing a Bank or Credit Union

If you are thinking about opening an account at a credit union or bank, use the following checklist to help you make your choice. Consider banks or credit unions where you live, work, go to school or online. At the end of the worksheet, add other questions that might be important to you.

	BANK OR CREDIT UNION 1 Name: _____	BANK OR CREDIT UNION 2 Name: _____	BANK OR CREDIT UNION 3 Name: _____
<b>SAFETY</b>			
Is it FDIC or NCUA insured?			
<b>YOUR NEEDS</b>			
Do I feel welcome?			
Is staff available to help me?			
Am I eligible to join (if credit union)?			
<b>REQUIREMENTS FOR OPENING AN ACCOUNT</b>			
Do I need a co-signer, custodian or joint owner (if under 18 years of age)?			
What identification documents do I need to open an account?			
Does the bank check banking history reports or credit reports before allowing a savings or checking account?			
Is there a minimum balance requirement for opening checking or savings accounts?			
<b>ACCESS AND CONVENIENCE</b>			
Is the bank or credit union close to where I live, go to school or work?			
Is it open during hours I can visit?			
Will I have ATM access? Are there many bank- or credit union-owned ATMs accessible to me?			

	<b>BANK OR CREDIT UNION 1</b> Name: _____	<b>BANK OR CREDIT UNION 2</b> Name: _____	<b>BANK OR CREDIT UNION 3</b> Name: _____
Does it provide online and mobile banking?			
<b>FEES</b>			
Is there a fee for going below a minimum balance?			
What are the overdraft protection fees?			
Are there monthly account maintenance fees?			
What other fees are possible with a savings account?			
What other fees are possible with a checking account?			
<b>INTEREST AND STATEMENTS</b>			
Will I earn interest?			
What is the rate of interest (APY)?			
Can you access account information via online or mobile banking?			
<b>OTHER SERVICES</b>			
What additional services will I be able to access?			
Do they offer secured credit cards?			
Do they offer credit-building loans?			
Other question:			
Other question:			
Other question:			



What bank or credit union is the best option for you? Why?

## USING A CHECKING ACCOUNT

People use checking accounts to deposit money, pay their bills, make purchases in person and online and access cash. When you open a checking account, you often get **checks** and a **debit card** that are linked to it.

A **check** is a document that you complete that orders your bank or credit union to pay someone else — the payee. Checks can be declined for nonsufficient funds if you do not have enough money in the account when the payee presents the check for payment. This is commonly called “cashing a check.” If your check is declined, you may owe fees to both your bank or credit union and the business that tried to cash your check.

**Debit cards** look like credit cards because have a card network logo like Visa or MasterCard. When you use your debit card the money is taken out of your checking account.

Your card will generally be declined if you don't have enough money in your account to cover a debit purchase or ATM withdrawal. This is called an overdraft. If you have “opted in” to an overdraft program, your bank or credit union may charge you a fee for covering the cost of a debit purchase or ATM withdrawal that is more than what you have in your account. Your bank or credit union will also require you to repay the overdraft.



### OVERDRAFT PROTECTION

Overdraft protection is often described as “courtesy overdraft protection.” This product covers checks you write even if you don't have the money in your checking account. This avoids the NSF fee from the merchant, but the financial institution will charge you an overdraft fee.

Financial institutions generally charge a fee for each item covered by overdraft protection. This can be \$20 or \$30 per check written. Some also charge a daily fee for each day the account is overdrawn. These fees can add up quickly and cause big problems for people.

Your financial institution does not provide you with notice if they are using “courtesy overdraft protection.” You are expected to keep track of what is happening in your account. Often people don't find out they are overdrawn and have piled up fees until they get their statements.

You may also be offered overdraft protection for debit card transactions. Banks or credit unions must ask you to sign up for this protection for debit cards or ATMs. This is required by law. This is called “opting in” for the service.

# Key to Your Financial Future: Checking Account Checklist

Use this checklist to make sure you avoid fees and manage your checking account.

## Learn the rules of your account.

Know when you will be charged fees and ways to avoid these charges. You may be charged fees for:

- using overdraft protection — if the bank or credit union covers your overdraft, they will charge you fees;
- having nonsufficient funds — this means writing a check when you don't have the money in your account to cover it;
- going below the minimum balance;
- using an out-of-network ATM; and
- ordering new checks.

## Keep track of money going in and out of your account.

Money goes into your account when you make a deposit — in cash, using a check like a paycheck or from direct deposit. Money goes out of your account when you: withdraw cash (from an ATM), use your debit card to make a purchase, are charged fees, pay bills using automatic bill pay or debit and when a check you write is cashed. You can do this using a transaction register from the bank or credit union, online or using a mobile app to keep track of these transactions. This way you know your balance and reduce the risk you will overdraw your account.

## Review your account statements.

You may get your account statements mailed to you, or you can check statements online or via a mobile app. Make sure you recognize each transaction.

## Keep track of holds on your debit card.

If you use your debit card at a gas station, to make a rental car reservation or to pay for a hotel, an “authorization hold” may be placed on your funds. You can't use the funds while they are being held. So, you have less money to work with until the hold is released. Sometimes the holds are large even if the purchase is small, and it can take a few days for the actual purchase to clear.

## Set up email or text alerts.

You can have alerts sent to your email or texts for a wide range of events, including:

- any deposit or withdrawal;
- purchases over an amount you set; and
- balances that fall below an amount you set.

## Link your checking account to a credit card or line of credit.

Link your checking account to a credit card or line of credit to cover overdrafts. This protects you from bouncing checks, NSF fees and fees to cover debit card transactions. You can also apply for a line of credit to link to your checking account.

## Build a cushion in your account.

You can trick yourself into building a cushion by rounding up. If you write a check for \$18.08, enter it into your tracking system as a check for \$19. If you spend \$27.43 at the grocery store using your debit card, enter it into your tracking system as \$28. After a few months, you'll have a small cushion in your checking account.

## Protect your debit card.

Never give your personal identification number to anyone. If you believe your information has been stolen or it's been involved in a security breach, report it to your bank or credit union immediately.

## Use secure, private internet connections.

If you use online banking, be sure the website is secure. Look for an “s” following the http in the web browser. Look for the lock symbol in the web browser and make sure it's closed. Do not conduct online banking using public internet connections.

*Source: FDIC Money Smart for Adults*

## KEY ACTIVITY

# Tenia Tracks Her Checking Account Use

Use the list of transactions to complete Tenia's transaction register for one month. Try using the rounding method. Round up for expenses and fees; round down for deposits.

Tenia just opened her first checking account four months ago. She did this when she got a job working as a home health aide. Before she used online or mobile banking, she decided to track her checking account use by hand. She thought this would help her understand how to use her account better. Several of her friends have had checking accounts closed by their banks due to overdrafts, fees and outstanding balances. She did not want to repeat their experiences. She used the transaction register her credit union provided and decided to try the rounding method to build a cushion.

<p>1. Tenia purchased groceries at Neighborhood Market using her debit card for \$53.27 on 4/7.</p> <p>2. Tenia filled up the tank in her car using her debit card at Best Gas for \$23.51 on 4/8.</p> <p>3. Tenia paid her rent using a check (number 115) to Miss Lucy Jones, her landlord, for \$500 on 4/10.</p> <p>4. Tenia's paycheck of \$737.66 from Quality Care was directly deposited on 4/15. She worked 77 hours this pay period.</p> <p>5. Her car payment of \$185.32 was automatically debited by USA Used Cars from her account on 4/15.</p>	<p>6. Tenia went to lunch with friends at Excellent Cafe and used her debit card for \$18.33 on 4/17.</p> <p>7. Tenia needed cash. She went to an out-of-network ATM. She withdrew \$80 on 4/19.</p> <p>8. She was charged \$3.75 from the bank for using an out-of-network ATM on 4/19.</p> <p>9. Her YMCA membership was automatically debited from her account for \$29.15 on 4/23.</p> <p>10. Tenia purchased a book for her LPN class using her debit card for \$103.21 on 4/25.</p>
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Number	Date	Transaction	Withdrawal	✓	Deposit	Balance
						\$600 00

Number	Date	Transaction	Withdrawal	✓	Deposit	Balance

What is Tenia's ending balance?

How much was the cushion she built? Compare her actual balance with the balance you got from using the rounding method.

What are the advantages and disadvantages to the rounding method?

## THE CARDS YOU MAY CARRY

There can be a lot of confusion about ATM cards, debit cards and credit cards. When you get an account, you may be offered an ATM card or a debit card, depending on the type of account. Understanding what you have can keep you from making costly mistakes.

### KEY ACTIVITY

## ATM Cards vs. Debit Cards vs. Credit Cards



Complete the following chart based on the activity in the training.

ATM CARDS	DEBIT CARDS	CREDIT CARDS

ATM cards, debit cards and credit cards all look alike. What they can do, however, is different.

You can generally only use ATM cards at ATM machines to deposit money, check account balances and withdraw money. They cannot be used to make purchases. ATM cards can be linked to a savings account or checking account. An ATM card does **not** have a credit card network (VISA, Mastercard, American Express or Discover) logo on it.

A debit card can be used at an ATM to withdraw money, but it can also be used nearly everywhere a credit card

is accepted. This includes restaurants, grocery stores, department stores, gas stations, to buy plane tickets and more. A debit card will have a credit card network logo on it.

With both ATM and debit card transactions, you need to keep track of what you are spending including fees because the money comes out of your account.

Credit cards are not connected to a bank account. You borrow money when you use a credit card. Then you pay off the money you borrowed — in full or part of it — when the bill is due.



## DEBIT OR CREDIT?

When using a debit card, you may have the choice to run it as a debit and use your PIN or run it as a credit and sign for it. This just refers to the system that will process the transaction. When you choose to run the transaction as a debit using your PIN, the transaction is online and happens in real time. When you choose to run it as a credit, it's an offline transaction. It is run on one of the credit card networks, and it may take a day or two for the money to transfer from your account to the merchant.

In both cases, the money comes out of your account — even when you choose the credit option requiring a signature.

As for which choice is better for you, it doesn't really matter when using a debit card. Some merchants may ask you to use debit. They get their money faster and it may cost them less in fees they pay to the credit card networks.

## PERSONAL IDENTIFICATION NUMBERS

A personal identification number (PIN) is a password made up of numbers. PINs provide access to accounts and information. When you use an ATM or debit card, you must enter your PIN. Most often, PINs are four or six numbers long.

To keep your PINs safe, NEVER:

- Store your PIN with your ATM or debit cards
- Use something that is easily guessed like your birthdate
- Tell anyone else your PIN

Ideally, you should have different PINs for different cards and accounts. But, if remembering them is too hard, use a few. Just change your PINs from time to time.

## Protections

Debit cards offer less protection if your card is used fraudulently.

- If you report a debit card missing before it is used, you are not responsible for any **unauthorized withdrawals**.
- You will be responsible for up to \$50 if you report the loss within two business days. Even if more is stolen, your loss is limited to \$50.
- Your responsibility goes up to \$500 if you report the loss after two but before 60 days.
- If you have not reported an unauthorized use of a debit or ATM card 60 days after your bank mails the statement documenting the unauthorized use, you could lose all the money in your bank account.

If your credit card is stolen, your loss is limited to \$50 if you report it stolen. Credit cards also provide additional protection if you are unhappy with a product or service provider. The credit card provider may dispute payment with the service or product provider on your behalf.

## PREPAID CARDS

A **prepaid card** looks like a debit card. But it's not linked to an account. You load money onto a card in person, by phone, online or through a mobile app. You can't spend more money than you have loaded onto your prepaid card.

With most prepaid cards, you can use the card anywhere you can use a debit card. This includes withdrawing cash from an ATM.

Like credit and debit cards linked to checking accounts, they typically have a credit card network logo like Visa, Mastercard, American Express, or Discover on them. But, they are NOT credit cards, and they do not help you build a credit history.

## Different Kinds of Prepaid Cards

There are six kinds of prepaid cards.

- An **open-loop prepaid card** has a credit card network logo on it. These cards can be used at any location that accepts credit cards.
- A **closed-loop prepaid card** can only be used at certain locations — a specific store, restaurant or public transportation system. These are commonly called gift cards.
- A **reloadable prepaid card** is a card you can add more money to.
- A **payroll card** is a prepaid card you get from your employer. Your paycheck is loaded onto it.
- A **government benefit card** is a prepaid card used by government agencies to pay certain government benefits, such as unemployment insurance. These may also be called EBT cards.
- A **college or university identification card** may be a prepaid card. It may be open loop or closed loop. With a closed-loop college identification prepaid card, you can only use it to pay for things on campus. With an open-loop card, you can use at any retail location that accepts that credit card network brand.

### KEY ACTIVITY

## Benefits and Costs of Using Prepaid Cards

What are the benefits and costs of using prepaid cards?

BENEFITS	COSTS



## REGISTERING YOUR PREPAID CARD

To access all of a prepaid card's features, you will have to register the card online or through a mobile application.

You may be asked to provide:

- your full name;
- street address;
- date of birth; and
- Social Security number, individual taxpayer identification number or a number from some other official identification document.

If you're unable to register your card because the issuer can't verify your identity, you may not be able to use all the features of the card.

## Dealing With Lost or Stolen Prepaid Cards

If your card is lost, used by someone else without your authorization or stolen, your rights depend on:

- the type of card it is;
- what the contract associated with the card promised; and
- how quickly you report the loss.

Reporting the loss or wrong charge right away may help to stop additional losses from your account. Network-branded prepaid card providers usually give some protections for loss or theft, but you should check your card provider's website or your cardholder agreement to find out the specifics. Usually, you must register your card to get the protections offered by the issuer.

**REPORTING THE LOSS OR WRONG CHARGE RIGHT AWAY MAY HELP TO STOP ADDITIONAL LOSSES FROM YOUR ACCOUNT.**





# WRAP UP: Banking

Congratulations on finishing this section of *Keys to Your Financial Future*.

Let's check what you learned:

1. **Banks and credit unions are the only kinds of financial institutions.**  
True      False
2. **A pawnshop or payday loan is always less expensive than a loan from a bank or credit union.**  
True      False
3. **A vehicle title loan is secured by the title to your vehicle. If you don't follow the terms of the loan, you may lose your vehicle.**  
True      False
4. **The FDIC insures deposits up to \$250,000 for each member of a credit union if the credit union should fail.**  
True      False
5. **What are some things you should do to manage your checking account?**
  - a. Keep track of deposits, withdrawals, automatic payments, debit card use and fees
  - b. Set up text or email alerts for every time your debit card is used
  - c. Review the rules of your account so you understand how it works
  - d. All of the above
  - e. None of the above
6. **Debit cards offer more protections in the case of loss or theft than credit cards.**  
True      False
7. **When you use your debit card, you are using money in your bank account. When you use a credit card, you are borrowing money.**  
True      False
8. **When you use a debit card, always use your PIN. This is better for you.**  
True      False

## Key Information From This Section

**MANY BUSINESSES PROVIDE FINANCIAL PRODUCTS AND SERVICES.** But, banks and credit unions are closely watched by government regulators. They take deposits, make loans and offer a wide range of services.

**HIGH-COST CREDIT PROVIDERS** — payday lenders, pawnshops and vehicle title lenders — offer fast access to cash. But most people end up paying a lot because they cannot pay off the loan when it's due and must renew it over and over again.

**BANKS AND CREDIT UNIONS ARE SIMILAR** except that credit unions are nonprofit organizations, they have members (you must be eligible to become a member) and profits are returned to members through lower fees on products and services.

**BANK DEPOSITS ARE INSURED** for each consumer up to \$250,000 at each institution by the FDIC. Credit union deposits are insured up to the same limits by the NCUA.

**USING A CHECKING ACCOUNT CAN BE TRICKY.** It's important to keep track of deposits, withdrawals, checks written, debit card transactions and holds and fees if you use a checking account. This can keep you from overdrawing your account.

**IF YOU DECIDE TO OPEN AN ACCOUNT.** Shop around for a bank or credit union that offers the best products and services to meet your needs.



### ABOUT THE ANNIE E. CASEY FOUNDATION

The Annie E. Casey Foundation is a private philanthropy that creates a brighter future for the nation's children by developing solutions to strengthen families, build paths to economic opportunity and transform struggling communities into safer and healthier places to live, work and grow.

For more information, visit [www.aecf.org](http://www.aecf.org).

### ABOUT THE JIM CASEY YOUTH OPPORTUNITIES INITIATIVE

A unit of the Casey Foundation, the Jim Casey Youth Opportunities Initiative® works to improve outcomes for all young people in the United States ages 14 to 26 who have spent at least one day in foster care after their 14th birthday — a population of nearly 1 million.

Working with 17 sites across the country, the Jim Casey Initiative influences policy and practices to improve outcomes for teenagers and young adults who have experienced foster care as they transition to adulthood.