



## Increasing Financial Stability of Individuals and Families

# Financial Services

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A bank is a financial institution operating under federal and state laws and regulations. Banks make loans, pay checks, accept deposits and provide other financial services. A credit union is a non-profit financial institution owned by people who have something in common. You have to become a member of the credit union to keep your money there. Here are a few reasons you may want to consider keeping your money in a bank or credit union:

- Safety – Money is safe from theft, loss, and fire.
- Convenience – Access your money quickly and easily. Use direct deposit, for example, it saves time and allows quicker access to your money. Electronically deposited funds in your account are available sooner than deposited checks.
- Cost – Using a bank or credit union is often cheaper than using other businesses to cash checks or pay bills.
- Security – The Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) insure deposits up to the maximum amount allowed by law. This means that if for some reason a bank closes and cannot give customers the money they had in the bank, the FDIC/NCUA will return the money to the customers.
- Financial future – Building a relationship with a bank and establishing a record of paying bills can help you save money and is necessary for getting a loan.

### Bank Accounts

Opening and maintaining a bank account is not as difficult as you might think. First, to open a bank account you will need to have your account verified, a process where the bank makes sure you are who you say you are and that you will be a responsible bank account customer. The bank will request your name, address, date of birth and Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN) and will request a state-issued identification card, driver's license, passport, or perhaps even your student ID card. Since practices vary, ask your bank what type of identification you need.

Next, you put money into your account. This is called a deposit. Depending on what you deposit (cash, a payroll check, or a check drawn on an out-of-state bank) you may not have immediate use of the funds. The bank must first make sure there are funds at the bank of the person who wrote the check to cover your check. Be sure to ask the bank when you can use the money you deposited.

You can open a savings account with a few dollars, but you might pay a monthly fee if the balance is below a certain amount. A savings account is an account that earns interest. Interest is a percentage of your balance that the bank pays you for keeping your money at that bank. A checking account lets you write checks to pay bills or to buy goods. You generally cannot write checks on a savings account. The bank will generally help you keep track of your account by sending you a statement.



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Financial institutions charge fees for different services from maintenance fees for keeping your account open to overdraft fees for withdrawing more money than you have in your account. For example, if you have \$50 in your account and you write a check for \$60 to pay a bill, then your balance will be -\$10.

The bank will charge fees as a penalty, sometimes \$30 or more, which will be charged to your bank account. You must deposit money to correct this and keep your balance positive. It is a good idea to compare rules and fees for different types of bank accounts. Some banks may require you have a certain balance available to earn interest or avoid fees. This is usually called a minimum balance.

### Additional Banking Services

- **Money Transfers** – Money, or wire transfers are electronic shifts of money from one bank to another. A remittance is a money transfer to be sent to a bank or person in another country. Your bank may be able to send a money transfer more cheaply than it would cost you to send money through companies like Western Union or Moneygram. Most banks are able to send money to banks out of the country.
- **ATM** – An Automated Teller Machine (ATM) is a kiosk or terminal where you can deposit, withdraw, or transfer money from one account to another 24 hours a day. You can use the ATM for many services but there might be a fee involved if you use another bank's ATM.
- **Telephone Banking** – Check your account balance by phone, transfer money between accounts, get account history, stop payment on a check, and report lost, stolen or damaged ATM or credit cards.
- **Direct Deposit** – Your paycheck or benefit check is electronically transferred and directly deposited into your account.
- **Online Banking** – Most financial institutions allow you to pay bills, review account balances, transfer funds between accounts, and submit loan applications online.
- **Debit or Check Cards** – Use this card to buy items from a store or business – the money comes out of your bank account immediately. The debit card also functions as an ATM card.
- **Stored Value Cards** – “Load” or deposit money for future purchases such as telephone cards with prepaid minutes or international gift cards to use anywhere the VISA or MASTERCARD logos are displayed.

#### Resources:

Money Smart [fdic.gov](https://www.fdic.gov)