

# Basics of Banking



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# Welcome



1. Agenda
2. Ground Rules
3. Introductions



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# Objectives

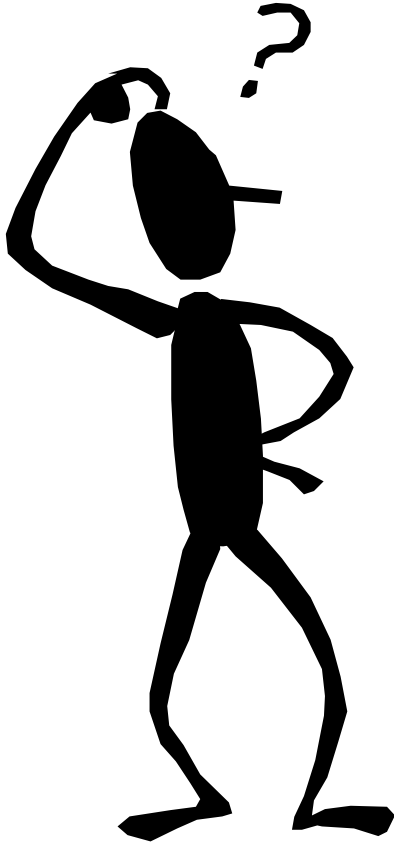


- Identify the major types of insured financial institutions
- Identify reasons to use a bank
- Opening and maintaining a bank account
- Explain overdraft fees
- Explain how debit cards are linked to checking accounts
- Remittance transfer



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# What Do You Know?



- **What do you know or want to learn about banking services?**
- **What has been your experience with a bank?**



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# Insured Financial Institutions

- **Banks:**

- Are subject to federal and state laws
- Make loans, pay checks, accept deposits, and provide other financial services

- **Credit Unions:**

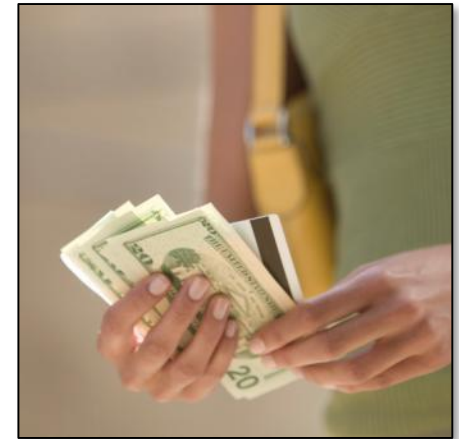
- In addition to the above:
  - Are non-profit financial institutions
  - Require a membership to open an account



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# Reasons and Benefits to use a Bank

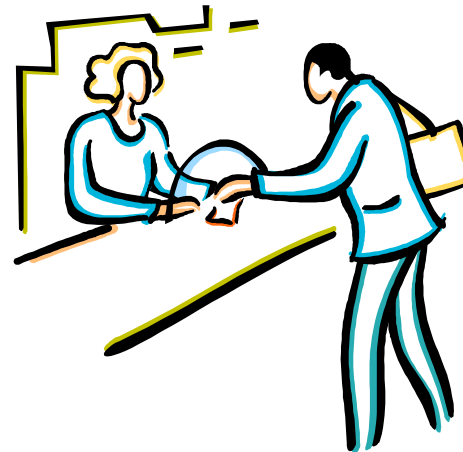
- Why keep your money in a bank?
  - Safety
  - Convenience
  - Cost
  - Security
  - Financial future
- Online banking access 24/7
- Good credentials for loan applications with responsible use



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# Bank Employees Include:

- **Customer Service Representative**
- **Teller**
- **Loan Officer**
- **Branch Manager**



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# Common Banking Services

Direct deposit

Automated  
Teller Machine  
(ATM)

Debit card

Loan

Money order

Money  
transfer

Remittance

Stored value  
card

Telephone  
and online  
banking



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# Choosing a Bank, Open & Maintain a Bank Account

1. Use the “Choosing a Bank Checklist” to select a Bank that is right for you
2. Open the account
3. Joint account
4. Make deposits and withdrawals
5. Record interest and fees
6. Keep track of your balance



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# Deposit Accounts

- **Examples include:**
  - **Checking account**—to pay bills and buy goods
  - **Savings account**—to save money and earn interest
- **You may have transaction and monthly fees.**
- **The bank will send you periodic statements.**



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# Requirements for Opening a Checking Account

- **To open an account, you will be asked for:**



- Photo identification: Driver license/ State ID/ School ID
- Your Social Security Card (SSN) or I-94
- Your opening deposit \$\$



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# Better Money Management



- **Maintaining a checking account:**
  - Allows you to monitor your spending and make wise spending choices
  - Gives you a better ability to stick to a spending plan and save money
  - Helps you build a positive relationship with your bank for future transactions
  - Provides a record that you pay your bills on time



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# What is a Money Order?

- It is similar to a check and is used for making payments
- It is prepaid, meaning you need to pay the money order with cash or another form of guaranteed funds
- It is available at a multiple locations, including:
  - Supermarkets and convenience stores
  - Banks and credit unions
  - United States Post Offices
- There is a small fee to get a money order



# Cost



## Check-cashing and Money Order Fees:

Check-cashing:  $4 \times \$20 = \$80 \times 12 \text{ mo.} = \mathbf{\$960/\text{year}}$

Money order:  $12 \times \$5 = \mathbf{\$60/\text{year}} + \$960 = \mathbf{\$1,020/\text{year}}$

## Checking Account Costs:

Money order:  $12 \times \$5 = \mathbf{\$60/\text{year}} + \$18 = \mathbf{\$78/\text{year}}$

**Total savings by using a checking account =  
\$942**



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# Overdraft Fees

- **Overdraft fees:**
  - Charged when you spend more money than you have in your account
- **Non-Sufficient Funds (NSF) fees:**
  - Occur when a bank returns a check or other item unpaid because you do not have sufficient funds in your account to cover it



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# Direct Deposit

- **Automatic Electronic Direct Deposit:**
  - Is a safe way to receive money
  - Is a convenient and cost effective way to deposit and cash checks
  - Is an easy and convenient way to access your money
  - Is predictable and dependable



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# Writing a Check



1. Make sure you have enough money in your account
2. Complete all the blank spaces on the check
3. Record the transaction in your check register



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# How to Write a Check

YOUR NAME	69/175-2031	0105
Address		
City, State, ZIP	<u>01/20/20XX</u>	Date
Pay to the		
Order of <u>Columbia Gas</u>	\$	<u>120.75</u>
<u>One hundred and twenty and 75/100</u>		----- Dollars
Your Financial Institution		
For <u>Gas account #</u>		<u>Your signature</u>
I:01242896I: 654859699II* 3266		



# “Bad Checks”

- A bad check is when you write a check without enough money in your account to cover the amount of the check
- **Consequences of writing a bad check:**
  - Fees of \$30 or more
  - Your bank can close your account and report negative information to credit bureaus
  - The check might be turned over to a collections agency
  - Knowingly writing a bad check is a crime in every state

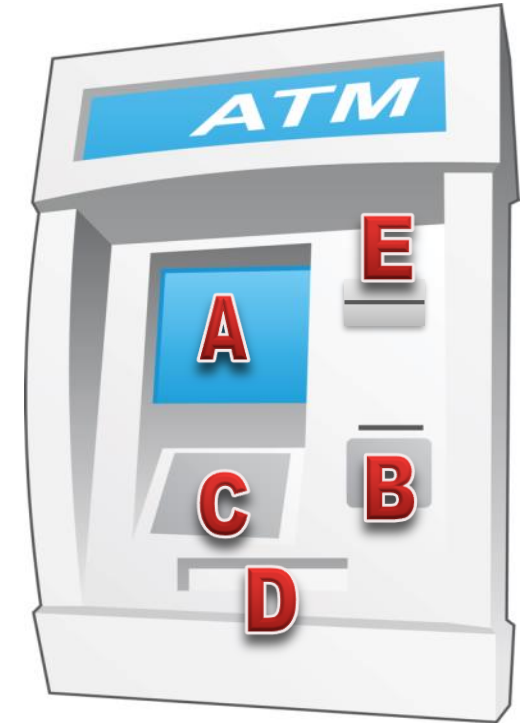


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# Automated Teller Machine

- ATMs allow you to make deposits and withdrawals 24/7.
- ATM parts include:
  - A. ATM screen
  - B. ATM card slot
  - C. ATM keypad
  - D. Money dispenser
  - E. Deposit slot

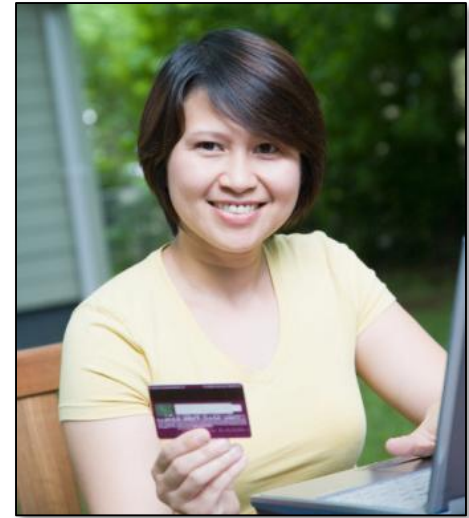
***If using another bank's ATM, be aware of the fees your bank and the other bank charges.***



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# Debit Cards

- **With a debit card, you can:**
  - Use your accounts at ATM
  - Make purchases at retail locations



- **From a bank, linked to YOUR MONEY**
- **You must have a Personal Identification Number (PIN) to complete electronic debit card transactions**



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# Cell Phone (Mobile) Banking


- **Options may include:**
  - Text messaging with your financial institution
  - Accessing your online bank account from your cell phone
  - Instantly paying for purchases using your cell phone
  - Making mobile deposits



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# Checking Account Statement

1. Bank name/address
2. Statement period
3. Your name/address
4. Account number
5. Transactions
6. Cashed checks
7. Account summary with fees/charges

 Your Bank 1212 Y Street Somewhere, US 00001		Your Name 4321 Second Street Somewhere, US 00001 Account Number 543685321454					
<b>Summary of Account Activity</b> For period ending 3/20/20XX Date of last statement 2/20/20XX							
Date	Transaction Description	Withdrawal/ Deposit Amount	Balance				
2/20	Previous Balance		200.00				
2/26	Check #105	-19.75	180.25				
3/12	ATM Withdrawal	-100.00	80.25				
3/20	Monthly Fee	-5.00	75.25				
			<b>Ending Balance 75.25</b>				
<b>Cleared Checks</b> Check # 105		<b>Amount</b> 19.75					
<b>Summary</b>							
<i>Previous Balance</i>	<i>Total Deposits</i>	<i>Total Withdr.</i>	<i>No. of Checks</i>	<i>No. ATM Transactions</i>	<i>No. of Deposits</i>	<i>Service Charge</i>	<i>New Balance</i>
\$200.00	\$0	\$119.75	1	1	0	\$5.00	\$75.25



# Remittance Transfer

Remittance transfers are commonly known as “International Money Transfers”

- You can make an international money transfer (send or receive money) through a bank
- Most major banks are able to process wire transfers in person or at a nearby branch location
- Contact your bank to confirm if they offer wire transfers
- Ask how long it will take for your money transfer to arrive



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# What you will need for an international transfer:

- The recipient's name, address, account type, and account number
- Name and address of the recipient's bank
- The recipient's bank's SWIFT code
- The amount of funds you are transferring and the currency of the transfer
- Most banks charge an international wire transfer fee
- The receiving bank may also charge a small fee as well



# Credit Card vs Debit card

- **Credit cards** are a revolving line of credit with:
  - Pre-approved dollar limit
  - Minimum monthly payment
    - e.g., \$15 for a \$600 balance
- **Debit cards** are tied to a checking account:
  - The money is immediately taken out of your checking account



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# Credit Cards

- **With a credit card, you can:**
  - Use it in times of emergencies
  - Make purchases at retail locations or online
  - Is more convenient and safer than carrying large amounts of cash
- **A credit card is a LOAN, and you pay INTEREST**
- **You must have a credit score, credit history and apply with a credit card company**



# Other Cards

- **Secured Credit Cards**

- Are backed by a cash deposit you make when you open the account
- The deposit usually equals your credit limit

- **Unsecured Credit Cards**

- Has no collateral associated with it
- The credit limit is based on the lender's assessment of your credit risk

- **Department Store Credit Cards**

- Examples: Walmart, Home Depot, Best Buy, JCP, Amazon.com

- **Reward cards**

- Credit companies give their customers points and rewards when they use their cards



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# Using Your Credit Card Responsibly

- Check your monthly statement
- Pay your balance monthly (*try to pay more than the minimum amount*)
- Pay on time to avoid late fees and protect your credit history
- Protect your credit card & account number
- Think about the cost of buying your items with credit card versus cash or debit card
- Limit the number of your credit cards and monitor usage



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# Conclusion

- **You learned about:**
  - The benefits of using a bank
  - How to open a checking account
  - How to write checks
  - Sending money to family
  - Difference between debit cards and credit cards
  - Different types of credit cards



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