

Banking Basics

Understand how to build a positive relationship with a financial institution.

- Identify the major types of insured financial institutions.
- Describe the steps involved in opening a bank account.
 - Identify additional bank services that come with deposit accounts.

Smart investing@your library® Series

This initiative is administered jointly by the Reference and User Services Association - a division of the American Library Association - and the FINRA Investor Education Foundation. The program funds library efforts to provide patrons with effective, unbiased financial education resources.



Martin County Cooperative
Extension Service

Tip 1 - Identify Financial Institutions

There are three major types of financial institutions. Each of the following is federally insured and follows state and federal banking laws:

1. Banks:

Financial institutions that provide many services, including loans, credit cards, and checking and savings accounts.

2. Thrifts:

Savings banks or savings and loan associations that are similar to a bank. Thrifts were created to promote home ownership and must have a majority of their assets in housing-related loans. Although many banks also make home loans, a thrift's main business is to make home loans.

3. Credit unions:

A credit union is a non-profit financial institution that is owned by all of its account holders.

Tip 3 - What to Expect After You Open a Checking Account

You will receive temporary checks from your bank until checks with your name and address can be printed.

A **hold** will be placed on your account. This means the money won't be available right away. This hold may last anywhere from 5-11 days.

Local checks could be available in your account in 2 days. Out of town checks may take up to 5 days.

Checks you write should be considered to immediately remove money from your account. This is because of Check 21 (the electronic transfer of funds on written checks).



Tip 2 - Open a Checking Account

When opening a checking account, be sure to ask for written information about the account you are being offered.

This right is guaranteed to all consumers under the **Truth in Savings Act**, and is called a **disclosure**. **Disclosures will help you to shop for the best account.**

Bring with you -

1. Valid Photo ID

2. Two forms of identification

(at least one must be a valid photo ID).

You may bring a driver's license, state issued identification, passport, or foreign government identification card.

If you are not a citizen of the U.S., some banks may accept other forms of photo identification. Other types of identification may include the matricula consular card, resident alien card (Green Card), or passport.

3. Taxpayer Information

You may bring your Social Security Number or individual taxpayer identification number.

4. Personal Information

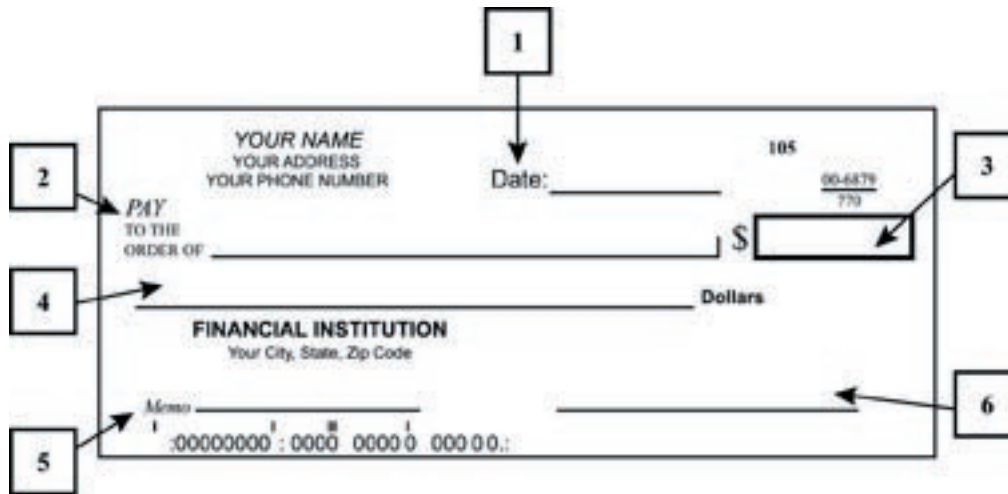
Your address, phone number, date of birth, and mother's maiden name.

5. Deposit

Check or cash for your first deposit.

Expect: You should expect the bank to review your history of using checking accounts through various companies. This process is called **account verification**.

Ask: The bank when your funds will be available to you.



When writing a check, be sure to complete the following areas:

1. **Date:** Write the date.
2. **Pay to the Order of:** Write the **name of the person** or company to whom you will give the check. After writing the name, you can draw a line to the end. This prevents anyone from adding an additional name on your check.
3. **\$:** Write the amount of the check in **numbers**, such as \$19.75.
4. **Dollars:** Write the amount of the check in **words**, such as **nineteen and 75/100**. After writing out the amount of the check, **draw a line to the end**. This prevents anyone from adding an additional amount after what you have written.
5. **Memo:** This section is optional. You can use this area to **remind yourself** why you wrote the check or to record the account number of the bill you are paying.
6. **Signature line:** Sign your name.

A correctly filled out check will look like this:

You will need to know what is already printed on the check

7 - Your name and address. Your phone number is sometimes included.

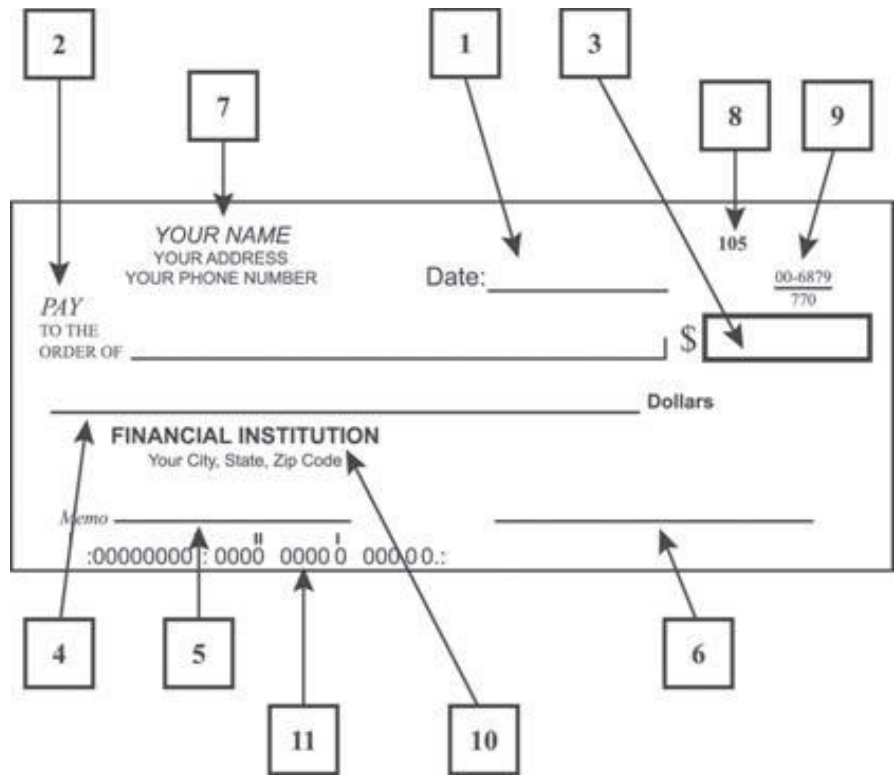
8 - The check number. The number is used to identify each check written.

9 - Codes for the state where the bank is located and the regional Federal Reserve Bank that will handle this check.

10 - Your bank's number and branch.

11 - Routing numbers.

This includes the bank and state computer routing numbers, as well as your account number.



ENDORSE HERE

DO NOT WRITE, STAMP OR SIGN BELOW THIS LINE
RESERVED FOR FINANCIAL INSTITUTION USE*

What is on the back of your check

There is also important information printed on the back of your checks.

The back of the check has an **endorsement** area. **Endorsing a check means to sign the back of the check to make it “cashable.”**

For example, if you write a check to your friend, your friend would endorse the back of the check to get the cash, or to deposit the amount into their bank account.

Consequences of Bouncing a Check

Here's an example of writing a bad or bouncing check:
You write a check for the \$800 rent and you only have \$500 in your checking account.

If you write a bad check:

- Each bad check might **cost you a fee of \$10 to \$30.**
- Additional checks you have written **may not be paid.**
- Your negative activity can be **reported to account verification companies like ChexSystems and TeleCheck.** This can make it difficult to cash checks and to open accounts in the future.
- Your bank also can **close your account** and send a **negative report to the credit bureaus.** The amount of the **overdraft and fees** might be reported as a collection item.
- Some states have additional consequences. **Writing a bad check is a crime in every state.** Each state has different civil and criminal penalties. For example, some states have monetary penalties, such as \$1,500 fine. Others may actually call for jail time and a fine. In some states, writing a bad check is a felony with imprisonment for up to five years.

Protect Yourself Against Writing Bad Checks

Not having the money in your checking account to pay the check you wrote is called an overdraft.

Most banks offer **overdraft protection**, or bounce protection. Although overdraft protection is **not free**, it usually costs much less than paying an overdraft fee.



- I will sign up for overdraft protection**, and the bank will use the money from **my own savings account** to cover the transactions if I don't have enough money in my checking account.

Tip 4 - Know Common Banking Services

As an account holder at a bank, these are some common services that may be available to you:

- Direct deposit:** A feature that allows your employer to directly deposit your paycheck into your bank account. Your money is available the day it is deposited into your account.
- Money order:** Used to pay bills or make purchases in situations where cash or checks are not accepted. Most banks and businesses sell money orders for a fee.
- Wire transfer:** Instantly moves money directly from one bank to another. Used when money needs to be transferred to someone or someplace quickly. Remember to ask about the **currency exchange rate and the fees charged.**
- ATM (Automated Teller Machine):** A computer that does the work typically done by a bank teller (person).
- Debit card (also known as a "check card"):** A card that allows you access to an ATM and to make purchases from any business that accepts the card. When you use this card to buy something from a store or another business, the money comes out of your bank account **immediately.**
- Loans:** Money you borrow from the bank to make a major purchase with a written promise to pay it back later.
- Online banking:** If you have access to the Internet, this feature allows you to view your account activity, make transfers between accounts, and pay your bills.
- Stored value card:** A card onto which you can "load" money to be used for future purchases.
- Telephone banking:** This is another way you can get information about your account activity, make transfers between accounts, and report a stolen ATM card.

Deposit Slip for Cash

If you need to make a cash deposit into your account:

1. Make sure the deposit slip has your correct account and address information.
2. Write in the transaction date, or date you will make the deposit.
3. Add up the total of paper money and place the amount in the box marked, "Cash," or "Currency."
4. Add up the coins you wish to deposit and place the amount in the box marked "Coin."
5. The **Net Deposit** should be the total amount you wish to deposit.
6. You will give the bank teller your deposit slip and your cash. The teller will also count the money you gave them, and give you a receipt for your deposit.

Your Name		30		0	0
Your Address				7	5
Your Phone Number					
DEPOSIT TICKET	DATE	6/23/11			
	<small>DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL</small>				
	<small>SIGN HERE IF CASH RECEIVED FROM DEPOSIT</small>				
	YOUR FINANCIAL INSTITUTION				
	YOUR CITY, STATE Zip Code				
<small>DO NOT USE FOR AUTOMATIC PAYMENT OR CHECK TRANSACTIONS</small>					
:00000000 : 00000 00000.:					
CURRENCY					
COIN					
OR TOTAL FROM REVERSE					
SUBTOTAL					
LESS CASH RECEIVED					
NET DEPOSIT		30		7	5

You can get blank deposit slips at the bank if you run out of your own.

Make sure to **write your account number on the deposit slip**, so your money goes into your account and not another person's account.

And remember to...

Record your deposit in your check register!



Less Cash Received Deposit Slip

You can generally get cash back from any deposit you make, as long as it is less than the deposit amount.

1. Write the amount of cash you want back in the box marked "**Less Cash Received**" on your deposit slip.
2. **Sign on the line:** "sign here if cash received from deposit."
3. Then, write the total of your deposit in the "**Net Deposit**" box. ("Net Deposit" means the amount that is going into your account. To get this amount, subtract the cash you want back from the total amount of the check.)
4. **Record your deposit in your check register.**

Your Name					
Your Address					
Your Phone Number					
DEPOSIT TICKET	DATE	8/12/11			
	<small>DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL</small>				
	<small>SIGN HERE IF CASH RECEIVED FROM DEPOSIT</small>				
	YOUR FINANCIAL INSTITUTION				
	YOUR CITY, STATE Zip Code				
<small>DO NOT USE FOR AUTOMATIC PAYMENT OR CHECK TRANSACTIONS</small>					
:00000000 : 00000 00000.:					
CURRENCY					
COIN					
OR TOTAL FROM REVERSE		50		0	0
SUBTOTAL					
LESS CASH RECEIVED		20		0	0
NET DEPOSIT		30		0	0



How to Write a Check for Cash

This can be done in one of two ways:

1. Write “Cash” in the “Pay to the Order of” blank on your check. Then, write in the dollar amount you would like to receive.

Be careful with a check you write out to cash because ANYONE can endorse the back of the check and receive the money.

2. Write your name (first and last) in the “Pay to the Order of” blank on your check. Then, enter in the dollar amount you would like to receive.

1	2	3	4	5	6	7
Check Number	Date	Description of Transaction	Payment/Debit (-)	Fee	Deposit/Credit (+)	Balance
	6/1	Balance in checking				1732 93
	6/4	Paycheck			+ 300 00	2032 93
0247	6/7	Publix groceries	- 126 74			1906 19
	6/10	ATM withdrawal	- 50 00	-3.00		1853 19
	6/30	Bank interest		+ .25		1853 34

Understanding Your Checking Account Register

Your **check register** is a tool that will help you to know how much money you have in your account at all times. Each time you **put money into your account, write a check, or take money out**, you should record key pieces of information in your check register.

1. Check Number: If you are writing a check, record the check number in this column. If not, leave it blank.

2. Date: Write the date on which you wrote a check, made a deposit, or took money out (made a withdrawal) or were charged a service fee.

3. Description of Transaction: Record items such as to whom you wrote the check, the reason for the deposit, or the location of the withdrawal (for example: ATM or debit card).

4. Payment/Debit (-): Record the dollar amount of checks written, ATM withdrawals, or debit card transactions.

5. Fee: Record any fees charged, such as a monthly maintenance fee or an ATM fee.

6. Deposit/Credit (+): Record any deposits or credits made to your account.

7. Balance: Add any deposits or credits and subtract any fees, payments, or other debits to your account to get the new balance.

Martin County's Smart investing@your library® Series:

- 1 - Your Financial Fitness**
- 2 - Designing Your Budget**
- 3 - Banking Basics**
- 4 - Establishing Credit**
- 5 - Credit & Identity Theft**
- 6 - Controlling Debt**
- 7 - Tips for Daily Savings**
- 8 - Saving for the Future**

Credits:

❑ This booklet was designed by Chris Kilbride, University of Florida - Martin County Cooperative Extension Service for the Martin County Library System's **Smart investing@your library® Series**. For details about Smart investing@your library®, visit:

<http://www.smartinvesting.ala.org>

To learn more about the Martin County Library System, visit:

<http://www.library.martin.fl.us>

❑ We would like to acknowledge the original educational outreach material by FDIC Money Smart - A Financial Education Program "**Bank On It**". Educators can also integrate portions of Money Smart into other educational resources.

<http://www.fdic.gov/consumers/consumer/moneysmart/adult.html>

❑ The mission of the FINRA Investor Education Foundation, a nonprofit organization, is to provide underserved Americans with the knowledge, skills and tools necessary for financial success throughout life. The FINRA Foundation envisions a society characterized by universal financial literacy.

For more information and financial literacy resources, visit:

<http://www.finrafoundation.org>