



Managing Money

Selecting Financial Institutions

Managing Money: Selecting Financial Institutions

Banks, credit unions, and savings banks are businesses that offer you a place to keep your money and use it to make more money. These businesses also are called financial institutions. Financial institutions offer different services for keeping your money at their business.

1. **Bank** - A financial institution governed by federal and state laws and regulations.
2. **Credit Union** - A nonprofit 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.
3. **Thrift** - A savings bank or savings and loan association that is similar to a bank. Thrifts were created to promote homeownership and must have a majority of their assets in housing-related loans.

Reasons why you should keep your money in a financial institution include:

- **Safety** - Money is safe from theft, loss and fires.
- **Convenience** - You can get money quickly and easily.
- **Cost** - Using a financial institution is probably cheaper than using other businesses to cash your check
- **Security** - The basic insured amount of a depositor is \$100,000.00. This means that if for some reason the bank closes and cannot give its customers the money they had in

the bank, the Federal Deposit Insurance Corporation (FDIC) will return the money to the customer. You can tell if the FDIC insures a bank by the FDIC logo. Similarly, most credit unions are insured by the National Credit Union Administration (NCUA).

- **Financial Future** - Building a relationship with a financial institution will establish a record of paying bills, help you save money, and is necessary for getting a loan.

Before opening an account, most financial institutions will review your history of using checking accounts through companies such as TeleCheck or ChexSystems. This is called account verification. Some of them will run a full credit report to determine the level of risk.

The account information is collected from financial institutions. If you have a history of bouncing checks or misusing your accounts, financial institutions may not open an account for you.

The financial institution will need your picture identification, usually a drivers' license, and your Social Security number to verify the information. After it is determined that you are eligible to open an account you can deposit money into your new account.

Some of the people who work in financial institutions you may come in contact with are:

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Branch Manager

A branch manager is the person who supervises the bank operations and helps fix problems that cannot be solved by other bank workers.

Customer Service Representative or New Account Officer

The customer service representative is the person who can help you open your account. The representative explains services, answers general questions, refers you to a person who can help you, and provides written information explaining the bank products.

Loan Officer

The loan officer is the person who takes applications for loans offered by the bank. The officer can answer your questions, provide written information explaining loan products, and help you fill out a loan application.

Teller

The teller is the person behind the counter who takes money, answers questions, cashes checks or refers you to the person who can help you. Tellers are the main contact people at the bank. You can go to any teller in the bank.

Financial institutions offer a variety of services some of which are listed below. Not all financial institutions offer the same services.

Automated Teller Machines (ATM)

This is a computer where you can deposit, withdraw, or transfer money from one account to another 24 hours a day. Use of an ATM requires a card issued by the bank and a personal identification number (PIN). A PIN is a special password or set of numbers that allow you to use your debit or ATM card. The PIN is used for security purposes, so no one else can access your account.

You can use the ATM for many services, but there might be a fee involved. Most people use

the ATM to get cash from their account. If you use another bank's ATM, you might be charged an additional fee. Generally, you can make deposits, withdrawals or transfer money between accounts.

Cashier's Check

For a cashier's check, you provide cash or money from your account in the amount of the check plus a service charge (usually from \$2-\$5). You also tell the institution who is receiving the check. The institution writes a check (also called a bank check or teller's check) for you. This check is guaranteed not to bounce. A cashier's check is available from financial institutions.

Certified Check

A certified check is a check you write and take to your financial institution. The bank will mark it "certified" for a fee (usually \$2-\$5) and place a hold on the money in your account until the check is processed. A certified check is guaranteed not to bounce.

Checking Account

A checking account is an account that lets you write checks to pay bills or to buy goods. The financial institution takes the money from your account and pays it to the person/business name on the check. The financial institution sends you a monthly record of deposits made and the checks written. The section on checking accounts provides information on choosing and using a checking account.

Debit Card

A debit card is a plastic card sometimes called a "Check Card." The debit card has a MasterCard or Visa logo and a magnetic strip on the back that allows you to pay for goods or services at stores and other businesses that accept MasterCard or Visa credit cards. When you use a debit card, the money comes out of your bank account immediately.

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The bank might give you a debit card that also functions as an ATM card. With a debit card, you can make deposits to or withdrawals from your checking account at ATM's. Some debit card uses might require a PIN if you use the card as an ATM card.

Deposit Products

Deposit products are bank accounts that allow you to add money to the account. Checking and savings accounts are two examples of deposit products.

Deposit

A deposit is money you add to your account. When you add money to your account, you must fill out a deposit slip. A deposit slip tells the bank how much money you are adding to your account. 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 originating bank to cover your check. You can ask the bank when you can use the money you deposited.

Direct Deposit

Direct deposit is one method your employer or government agency might choose to give you your paycheck or benefit check. With direct deposit, your paychecks or benefit checks are electronically transferred and directly deposited into your account.

Fees

Financial institutions charge different fees for different services. For example, a monthly maintenance fee might be charged for keeping your account open. In addition, you might also be charged a penalty fee if you misuse your account, such as bouncing a check.

Loans

A loan is money you borrow from a bank with a written promise to pay it back later. Banks

charge you fees and interest. This is extra money you pay to borrow the money. You can talk to the customer service representative for more information about loans offered at a bank.

On-line Banking

On-line banking allows you to conduct your financial transactions by using a home computer. Services available and fees depend on the type of financial institution you are doing business with.

Nondeposit Products

Many banks also offer nondeposit products and services not insured by the FDIC. Stocks, bonds, and mutual funds are examples of nondeposit investment products.

Savings Account

A savings account is an account that earns interest. You can open a savings account with a few dollars, but you might pay a monthly fee if your balance is below a certain amount. Some banks will give you a booklet called a passbook to keep track of your money. The section on Savings Accounts provides information about choosing and using a savings account.

Telephone Banking

A bank service which allows you to:

- Check account balances
- Transfer money between accounts
- Obtain account history, such as most recent deposits or withdrawals
- Stop payment on a check
- Obtain information on branch hours or other information
- Report a lost, stolen or damaged credit, debit or ATM card

Wire Transfer

A wire transfer is the method of electronically transferring money from one bank to another.

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Withdrawal

A withdrawal is the process of taking money from your bank account. You do this by writing a check, using an ATM or by giving a teller a withdrawal slip. A withdrawal slip looks similar to a deposit slip, except you are taking money out rather than adding money to your account.

You need to be sure you do not withdraw more money than you have in your account. If you do, you will be overdrawn or bounce a check and be charged a fee.

Financial institutions offer many different kinds of accounts and services. Financial institution accounts that allow you to add money to the account are called deposit accounts. Checking and savings accounts are two examples of deposit products. More information is given on these two types of accounts in the following sections. Many financial institutions also offer *nondeposit products* and services that are not insured by the FDIC. Stocks, bonds and mutual funds are examples of nondeposit investment products.

Bank personnel are supposed to provide a written explanation that the FDIC does not insure these products and the money you invest may lose value. You can find out more about these nondeposit products at your financial institution. Explanations of these products also are given in the Building Savings section. **Do not buy any product or service you do not understand.**

Remember, financial institutions offer more services than check-cashing. When looking for a financial institution, use the Choosing A Financial Institution Work Sheet to help you choose a financial institution that is right for you.

Building a relationship with a financial institution can help you establish a record of paying bills, help you save money and is necessary for obtaining credit.

Choosing a Financial Institution Work Sheet

When looking for a financial institution, consider this checklist. The questions below can help you choose the one that is right for you.

	A	B	C
Name of financial institution			
Does it offer the services I need?			
Is it close to home or work?			
Does it have reasonable hours?			
Is it open any weekend hours?			
Does it have ATMs? If so, are they located near where I live, work or shop?			
If I am choosing a credit union, am I eligible?			
Do any employees speak my language?			
What, if any, fees will be charged?			
Is this financial institution insured?			

Many financial institutions also offer *nondeposit products* and services that are not insured by the FDIC.

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*This resource is one in a series on **Managing Money** which include:*

Making your Money Work:

Determining What Is Important to You
Where Are You Now? (Net Worth Statement)
Stop Spending Leaks
Developing a Spending Plan

Using Credit:

What Is Credit and How Much Credit Can I Afford?
Types of Credit: What Are Your Choices?
Credit Cards
Credit Reports

Building Savings:

Ways to Save
How Your Money Can Grow
Where to Save
Investment Options

Selecting Financial Institutions:

Selecting a Financial Institution
Checking Accounts
Savings Accounts

Creating a Record System:

Keeping Records in Order
Where to Keep Records

Determining Readiness:

Financial Readiness
Benefits and Challenges

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