



## WHY SHOULD I USE A BANK?

Banks can help put you on a faster track to financial success. A bank account makes it possible for you to:

- Keep your money safe from loss or theft
- Make payments easily and inexpensively
- Maintain records of your financial transactions
- Deposit your paycheck directly
- Build savings and earn interest
- Establish credit
- Access mortgage loans, car loans and other products.

Banks are closely regulated and supervised, so you can feel confident that your money is protected. Banks are also required to comply with laws that protect you as a consumer.

The Federal Deposit Insurance Corporation (FDIC) insures deposits in regulated financial institutions. Your individual account is protected by the federal government for up to \$250,000 from bank mismanagement or other banking problems.

## WHAT TYPE OF ACCOUNT IS RIGHT FOR ME?

Most banks offer checking and savings accounts, as well as special accounts to meet specific consumer and business needs.

**Checking accounts** are best for everyday use such as depositing checks and paying bills. Monthly fees, minimum balance requirements and interest paid on the account balance vary, and banks usually offer several options. Make sure that you choose the best account for your individual banking needs.

Most banks will deposit paychecks directly into your account each pay period, making your pay available quickly and saving you the inconvenience of making a trip to the bank. Many accounts also offer electronic bill paying via the Internet—a quick and easy way to pay your bills. Both checks and the electronic bill paying service will help you keep a record of your payments.

**Savings accounts** provide a safe place to set money aside for the future while paying you interest on your balance. Savings accounts are not designed for frequent withdrawals. Sometimes those who cannot open a checking account due to problem credit or poor banking history are steered toward savings accounts. While the savings account will offer safekeeping and establish a banking relationship, using a savings account like a checking account and making frequent withdrawals will usually result in additional fees for these transactions. To comply with banking regulation that limit transactions on savings accounts, an institution may even have to convert the account to another product or close the account altogether.

A GUIDE

TO YOUR

FIRST

BANK

ACCOUNT



## HOW DO I OPEN A BANK ACCOUNT?

First, shop around to find a bank that offers the best products and services to meet your personal needs. Compare account features and costs, branch locations, hours of operation, and potential loan and investment products.

An account may be owned by one person or by several individuals together. Each person who will have access to the account must provide the following:

**One photo ID and one other form of identification.** Most banks accept driver's permits and passports. Some banks also accept non-traditional forms of ID for recent immigrants, such as the Mexican or Guatemalan Matricula Consular. When you shop around for a bank, be sure to ask what forms of identification are acceptable at each institution.

**An initial deposit.** Although an initial deposit is not always necessary, it will typically be required for accounts that require a minimum balance to avoid fees. Options vary from bank to bank. You can make your deposit in cash or with checks made payable to you or others included on the account.

**An acceptable credit history.** Most banks will ask you for permission to check your credit history and checking account history to see if you have had difficulties managing money and accounts in the past. The bank may not allow you to open a checking account if they find negative information. If you have had problems in the past with a checking or credit account, you can work with a credit counselor to take care of these issues before approaching a bank.

## MANAGING YOUR ACCOUNT

Managing a checking account carefully helps you establish a positive credit history. A bank where you have successfully managed a checking account for an extended period of time may be able to help you establish credit using your account history as a reference. In addition, if an occasional problem should occur with your account, the bank may be more willing to assist if your account history is otherwise good.

To succeed with your account, you will have to develop money management habits that conform to banking practices. You can avoid extra charges and other account problems by keeping these things in mind:

**Protect your money:** Only those who have registered their identification information and signatures with the bank—the owners of the account—should have access to it. If you allow someone else to use your debit card, write checks for others, or cash checks for others, the bank will not be able to protect you from fraud and theft.



**Avoid overdrafts:** An overdraft occurs when you've written a check without sufficient funds in your account. To avoid "bouncing" checks you should:

- Keep track of all deposits and withdrawals on the account, and check your balance against the statement your bank sends you each month.
- Verify that deposited checks have been cleared and are available for your use before adding the amount to your available balance. Some checks take 3 to 5 days or longer.
- Track checks you have written to see which have been cashed against your account and which are pending. Some individuals and businesses may take weeks to cash a check you wrote them.

**Understand bounce protection:** If a check you've written cannot be cashed because of insufficient funds in your account, both the bank and the business may charge you for having to present the check at a later date. Your bank may offer bounce protection products to avoid such charges, but there are fees for this service. Be sure you know how the bounce protection works and how much it costs. If you are managing your account properly, you shouldn't need this service often.

Be sure you understand the account information provided by the bank. Ask the bank staff about any issue that isn't clear to you. Don't be afraid to contact your local branch staff if a problem occurs with your account. Problems can be handled best when you contact the bank quickly and alert the staff to the situation.

## DEVELOPING A BANKING RELATIONSHIP

Your bank account is the first step in establishing a relationship that can help you manage your money, save for the future, and increase your wealth. In addition to basic banking, financial institutions offer other products and services to help with your financial goals. Some of these include:

- Car loans
- Credit cards
- Mortgage loans
- Student loans
- Business loans and services
- Money management services
- Retirement savings accounts
- Remittances and wire transfers

## STILL HAVE DOUBTS ABOUT BANKING?

**I don't feel comfortable going into a bank office....**Some bank branches are more inviting than others. Talk to a friend or family member who already has a bank account. Perhaps they can introduce you to their bank representative or go with you to visit other banks. Some bank representatives will meet you at your workplace or at the office of a community organization. Making an appointment at the bank beforehand can also be helpful.

**I don't speak English....**If you are in a community with many immigrants, there is a good chance that some local bank employees speak your native language. A community organization that works with

immigrants may help you find a bank representative who speaks your language or provide someone to go with you to the bank.

**I don't want my bank account information shared...**Consumer protection laws prevent financial institutions from sharing your personal information without your permission. Be sure you protect your privacy as well by not providing personal details or allowing unauthorized access to your accounts.

**I tried to open an account once and was turned away...**The benefits of having a bank account make it worthwhile to try again. Going to a bank that has the staff and products to meet your needs may make the difference. If you had credit problems or checking account problems in the past, you can work with a credit counseling agency to address these issues and re-establish your credit references. Your bank or a community group can help you or find an organization that specializes in this service for free or at a low cost.

## WHERE CAN I GET MORE INFORMATION?

To find out more about banking and managing your money, visit us online at:  
[www.federalreserveeducation.org](http://www.federalreserveeducation.org)

