

CHAPTER 5-THE BANKING SYSTEM

Section 3-
Bank Services

BANKING SERVICES

- Financial institutions offer a number of services to consumers, including:
 - Safe Deposit Boxes-a secure container located in the bank vault
 - Used to store important documents, such as deeds, stock certificates, birth certificates, etc.
 - Protects items from theft and fire
 - Must have 2 keys to open the box, customer's and banks
 - Cost varies per bank \$35-\$100 per year
 - Bank does an electronic debited from your checking account for fee, yearly
 - You must bank at the institution to have a safe deposit box
 - Must sign a signature card so bank can verify who has authority to open the box

BANKING SERVICES (CONTINUED)

- **Overdraft protection-a bank service that covers a shortage in your account**
 - Bank will cover a withdrawal or check if you don't have enough money in your account
 - Must sign up for this service
 - Overdraft coverage is at the discretion of the bank
 - Banks may charge a fee for the service
 - If you have a savings account, the bank may draw the fees from your account
- **Automated Teller Machines (ATMs)**
 - Machine that allows a user to withdraw funds from their checking or savings account, make deposits, check balances and transfer funds
 - Must have ATM card
 - Customers who accounts with the bank at which the ATM is located, usually don't have to pay any fees

SPECIAL SERVICES

- **Stop Payment**-an instruction to the bank not to honor a check that has been issued or lost
 - Good for 6 months
 - Checks over 6 months are not valid for cashing
- **Cashier's Check**-A check issued against bank's funds
 - Money from your account comes to pay for the check when you purchase it, but then when the check is cashed it comes from the bank's account
 - More secure than an personal check
- **Money Order**-a type of check used to pay bills or make payments for which the money is guaranteed
 - Must be purchased with cash
 - Safe way to send money through the mail
- **Financial Advising**-personal financial advising services
 - Advisor looks at your financial situation and recommends financial products to match your goals and resources

SPECIAL SERVICES

- **Loans-banks lend money to their customers and other financial institutions**
 - Loans for cars, mortgages and personal lines of credit
- **Internet Banking-accessing and managing your account online**
 - An access code or Pin number and user name are required
 - Allows a customer to check: account balances, deposits, monitor activity, view and print statements, transfer money between accounts, check fees and interest postings and pay bills electronically
 - Can be as safe as writing paper checks—nothing to get lost in the mail

SPECIAL SERVICES

■ Bank Cards

- Cards that allow you to make purchases, get cash advances, check balances, and make deposits
- Cards are electronically coded with special features
- Examples are: ATM cards and Debit Cards

■ Smart Cards

- A card that contains a computer chip that stores electronic money
 - Money deposited to the card electronically when purchased or renewed
 - Card carries an electronic balance
 - You can add money to it
 - An advantage of a smart card is that it is not linked to your checking account
 - If lost or stolen a thief cannot access your account
 - These cards have Visa or MasterCard Logos

COSTS OF BANKING

- Banks charge customers fees to help cover their operating cost and to make a profit
 - Account brochures contain fee information
 - Compare services and fees between banks before you open an account
 - Ask about Relationship banking-you work with a banker who tries to understand your needs and offers services to fulfill those needs
- Monthly Account Fees
 - Fee for maintaining a checking account
 - Some banks only charge if you don't maintain a minimum balance
- Nonsufficient Fund Fees (NSF)
 - A fee charged when you don't have sufficient funds in your account to cover a check that you have written—creating a bounced check
 - Bounced check-a check that is not honored by a bank and is returned to the payee's bank due to nonsufficient funds
 - Fee ranges from \$30 to \$40

COSTS OF BANKING

■ Special Service Fees

- Fees charged for special services, such as, stop payment, cashier's checks, traveler's checks, money orders, etc.
- Could be as much as \$25 per service

■ ATM Fees

- Fees charged for using an ATM, typically only charged if you don't use your bank's ATM
- Fees range from .50 per transaction to \$2 per transaction

■ Inactive Accounts Fee

- Banks can charge fees for an inactive account
- An inactive account is one that doesn't meet the minimum account usage requirements (deposits, debits, checks, etc.)
- Fees can range from \$5 to \$15 per month

CONSUMER RESPONSIBILITIES OF BANKING

- **Maintain Your Balance**
 - Make sure you have enough money in your account to cover your checks
 - Knowingly writing a bad check is illegal and unethical
 - Criminal or civil charges can be brought against you
 - Writing bad checks also affects your credit rating-it can cause you to have problems getting a loan for a large purchase (house, car)
 - Businesses pass the cost of bad checks on to customers in the form of higher prices
- **Floating a check-writing a check and planning to make a deposit later to cover it before the check is processed**
 - Checks are processed very quickly, so don't expect to have time to make a deposit before a check clears

CONSUMER RESPONSIBILITIES OF BANKING

■ Monitor Your Account

- Reconciling your bank account is one way to be sure that transactions posted to your account are legitimate
- Be responsible with your checkbook
- Keep check blanks safe
- Be careful to whom you give checks
- Once someone has a check, they have everything (name, address, bank name, account number, routing number)
- Banks will not typically hold you responsible for check fraud

■ Know Your Rights

- There are a number of consumer laws that protect you
- The Federal Reserve System is responsible for implementing these laws

CONSUMER EDUCATION

- The Fed ([Federal Reserve System](#)) provides consumer information and free educational materials on its website
 - They examine financial institutions to ensure compliance with consumer laws and regulations
 - They also respond to inquiries and complaints from the public involving consumer protection issues