Personal Financial Skills:

WORKBOOK 2:
Working With Checking and Savings Accounts

THE HOME DEPOT

FannieMae FOUNDATION

Consumer Credit Counseling Service CCCS

Personal Financial Skills

Realizing Your Financial Goals

Whether you want to buy a home, start a business or pay off your debt, personal financial skills are the first step to taking control of your financial future. The Personal Financial Skills workbook series will help you learn the necessary skills to maintain a family spending plan, use checking and savings accounts, build or repair your credit history, and apply for a loan. Regardless of your age, occupation or financial management experience, you will find useful skills and tips throughout this self-study material. Enjoy!

FannieMae FOUNDATION

The Fannie Mae Foundation creates affordable homeownership and housing opportunities through innovative partnerships and initiatives that build healthy, vibrant communities across the United States. The Foundation is specially committed to improving the quality of life for the people of its hometown, Washington, DC, and to enhancing the livability of the city's neighborhoods.

THE HOME DEPOT

The Home Depot is the largest retailer in the home improvement industry. Our goal is to provide the highest level of customer service, the broadest selection of products and the most competitive prices. We are a values-driven company and our eight (8) core values include the following: Excellent customer service • Taking care of our people • Giving back • Doing the "right" thing • Creating shareholder value • Respect for all people /Entrepreneurial spirit • Building strong relationships.

Consumer Credit Counseling Service CCCS

Consumer Credit Counseling Service empowers people to enjoy a lifetime of economic freedom. CCCS educates all segments of society in the wise use of credit and provides an impartial forum for resolving debt problems. Named Agency of the Year for 1999 and 2000 by the National Foundation for Credit Counseling, CCCS Atlanta is the nation's premier debt-management service organization, characterized by excellence, integrity and technological innovation.

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Introduction

So, you want to take control of your financial future –

You've come to the right place. This self-study workbook series will help you to develop critical skills for financial independence. There are four workbooks:

Workbook 1: Developing a Spending Plan
Workbook 2: Working with Checking and Savings Accounts
Workbook 3: Understanding Credit and Your Credit Report
Workbook 4: Getting a Loan

Developing personal financial skills is the first step to taking control of your financial future. We have written these workbooks to help you learn financial skills that will give you the ability to plan your future. The following steps will help you use this workbook as a guide for your independent learning:

1. Begin each chapter by quickly scanning the headings. This will give you a basic idea of what you will be studying.
2. Each chapter has a number of subsections. Each subsection begins with study objectives stated as questions. To complete this workbook you will need to be able to answer these questions. As you read and find the answers, underline or highlight them for later reference. It is important to underline and write in this book to reinforce your learning.
3. All bold terms are defined in the workbook glossary. Refer to the glossary to assist you.
4. A short self-assessment follows each subsection. This will help check and reinforce what you have read. Answer each question and then check your answers at the bottom of the exercise.
5. At the end of each chapter you will find a Knowledge Review. Use this opportunity to review the concepts discussed in this workbook.
6. You will need a pencil and a calculator to complete this workbook.

Workbook Objectives

In this workbook we will discuss:

- the purpose and benefits of checking and savings accounts
- the procedure to open an account
- activities involved in using and managing an account

There are many ways to manage your money. Each of us selects an approach that meets our needs and helps to achieve our goals. Checking and savings accounts are money management tools offered by financial institutions.

Your Money Managing Experience Exercise

Each of us handles our money differently. How do you manage your money? Answer the following questions to find out.

1. When you want to purchase something and you do not have the cash, what do you do?

____
____
____

2. When you have extra money, where do you keep it?

____
____
____

3. How do you pay your monthly expenses (e.g., check, money order)?

____
____
____

4. Where do you cash checks (e.g., paychecks)?

____
____
____

5. What about your approach to managing money works best?

____
____
____

6. What about your approach does not work well for you?

____
____
____

Study Objectives

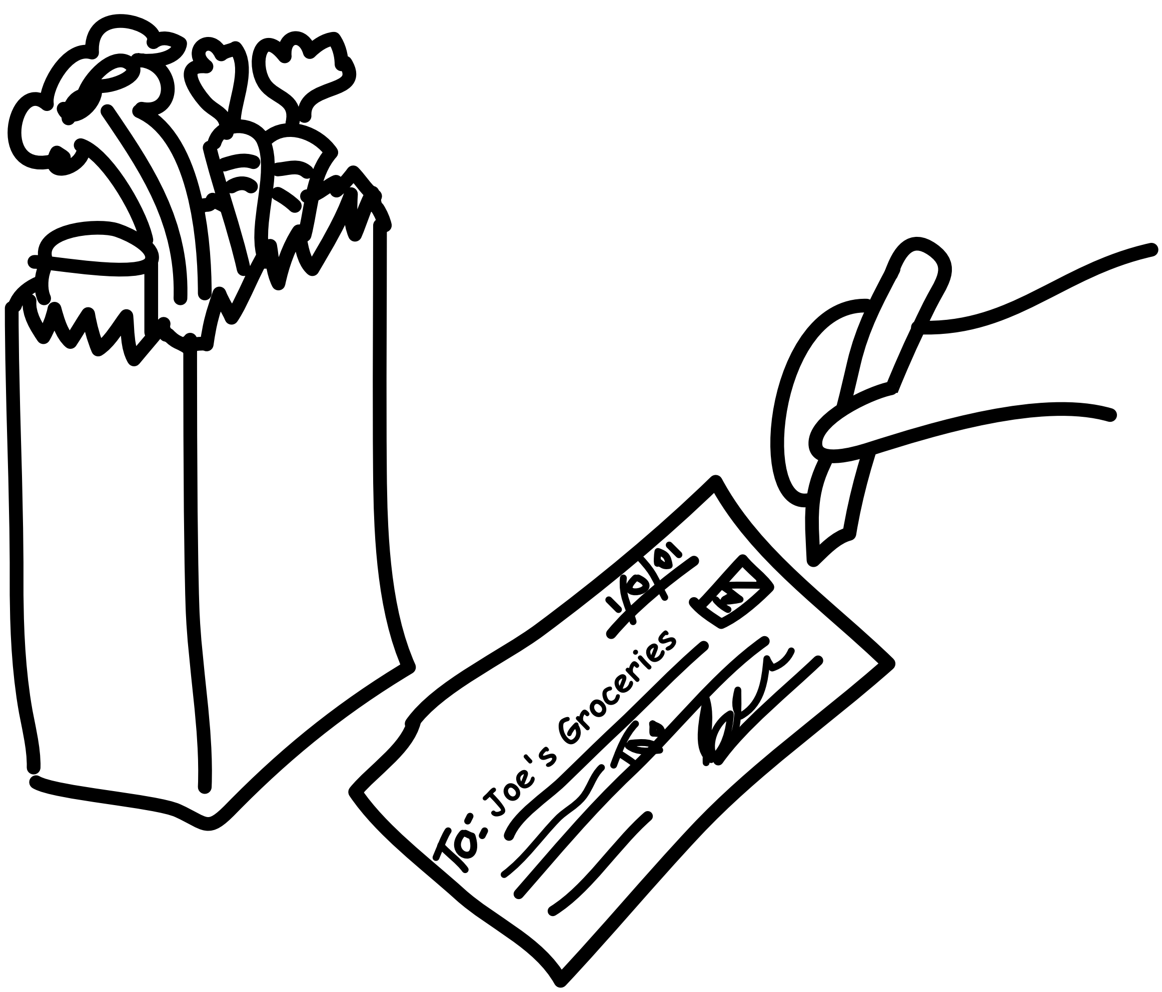
Underline/highlight the answers to these questions as you read:

1. **What are checking and savings accounts?**
2. **What is interest?**
3. **How can interest affect your savings?**
4. **What are the benefits of having a checking or savings account?**

Checking and Savings Accounts

How you manage money affects your ability to meet present and future needs. There are tools, such as checking and savings accounts that can help you.

Financial institutions offer checking and savings accounts so that you have a safe and secure place to keep your money. You can deposit and withdraw money from both checking and savings accounts. Checking accounts also allow you to write checks. When someone cashes a check you have written, money is withdrawn from your account.



Earning Interest

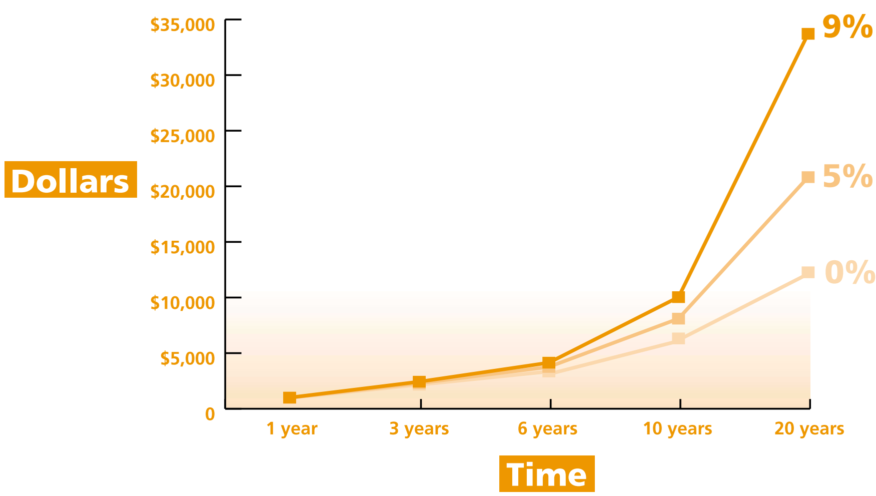
A financial institution may pay you for keeping your money in one of its accounts. This payment is called **interest**. The interest you receive is calculated as a percentage of the total funds you have in your account. For example:

If you deposit $50 at the beginning of each month and do not withdraw any money:

Interest Rate	1 Year ($50 x 12 Months)	3 Years	5 Years	10 Years	20 Years
0%	$600	$1,800	$3,000	$6,000	$12,000
3%	$610	$1,886	$3,240	$7,005	$16,456
5%	$617	$1,946	$3,414	$7,796	$20,637
7%	$623	$2,008	$3,601	$8,705	$26,198
9%	$630	$2,073	$3,799	$9,748	$33,645

The top row (0 percent interest rate) illustrates how much money you will save by saving $50 at home each month. The rest of the chart illustrates the amount of money you can save by putting aside $50 each month in an account that pays you interest. For example, if you put aside $50 each month at home, after three years you will save $1,800. If you deposit the same amount of money in an account that earns 5 percent interest, you will save $1,946 in three years. The financial institution will pay you $146 in interest for keeping your money in an account. As you can see, an interest-earning account helps your money to grow.

The following graph shows that you can save significantly more money over the same period of time by keeping your money in an account that pays you interest. Assuming that you deposit $50 each month into an account, observe how much more money you will earn over time in an account that pays you 5 percent interest or 9 percent interest.



Benefits of Checking and Savings Accounts

There are some commonly recognized benefits to using checking and savings accounts.

- Checking and savings accounts are safe places to keep your money.
- Checking and savings accounts help you to stick to your spending plan.
- Checking and savings accounts allow you to earn interest on the money you keep in your account.
- Checking and savings accounts are inexpensive ways to cash and write checks. If you currently use check-cashing services or money orders, you will probably save money by opening a checking account. At most financial institutions, you can open an account to deposit and write checks for a limited cost.
- Checking and savings accounts help you establish a relationship with a financial institution. When you manage an account well, you establish a good relationship with your financial institution. This demonstration of savings and financial responsibility may help you to get approved for a credit card or a loan at a later date.

SELF-ASSESSMENT 1

1. Checking and savings accounts are (check all that apply):
   - ❑ a. safe and secure places to keep your money.
   - ❑ b. financial tools that can help you stick to your spending plan.
   - ❑ c. ways to earn interest on your money.

2. Interest is a _________ you receive from a ___________ ____________ for keeping money in one of its _______________.
   - ❑ a. reward, local bank, locations
   - ❑ b. payment, financial institution, accounts
   - ❑ c. penalty, financial institution, locations

3. Interest helps your savings to:
   - ❑ a. grow faster than if you kept the same amount of money at home.
   - ❑ b. double in two years.

4. True or False. Making regular deposits into a savings account for a number of years demonstrates a level of financial responsibility, develops a relationship with a financial institution, and may help you to get a loan in the future.
   - ❑ a. True
   - ❑ b. False

How did you do?: 1.a,b,c 2.b 3.a 4.a

Opening an Account

When you decide to open an account, you will want to investigate the services offered by several financial institutions in your area. It is important to choose a financial institution that will meet your financial needs. It is equally important to choose a place where you feel comfortable asking questions and working with the people. If possible, visit a number of financial institutions before you choose one. Ask yourself the following questions about each financial institution you consider working with:

- Does it offer the services I need?
- Are there fees for these services? How much?
- Is it close to home or work?
- Do the hours meet my needs?
- Does it have automated teller machines (ATMs)? Are they located near where I live, work, or shop? Are there fees for using the ATMs? What are the fees for using other financial institutions' ATMs?
- Do any of the employees at the financial institution speak my language?
- What kind of identification is accepted?
- Do the employees take the time to answer questions and explain products and services?
- Is the office location a comfortable place to visit?
- Does Home Depot have a relationship or are there any special offers with a particular financial institution (ask your manager)?

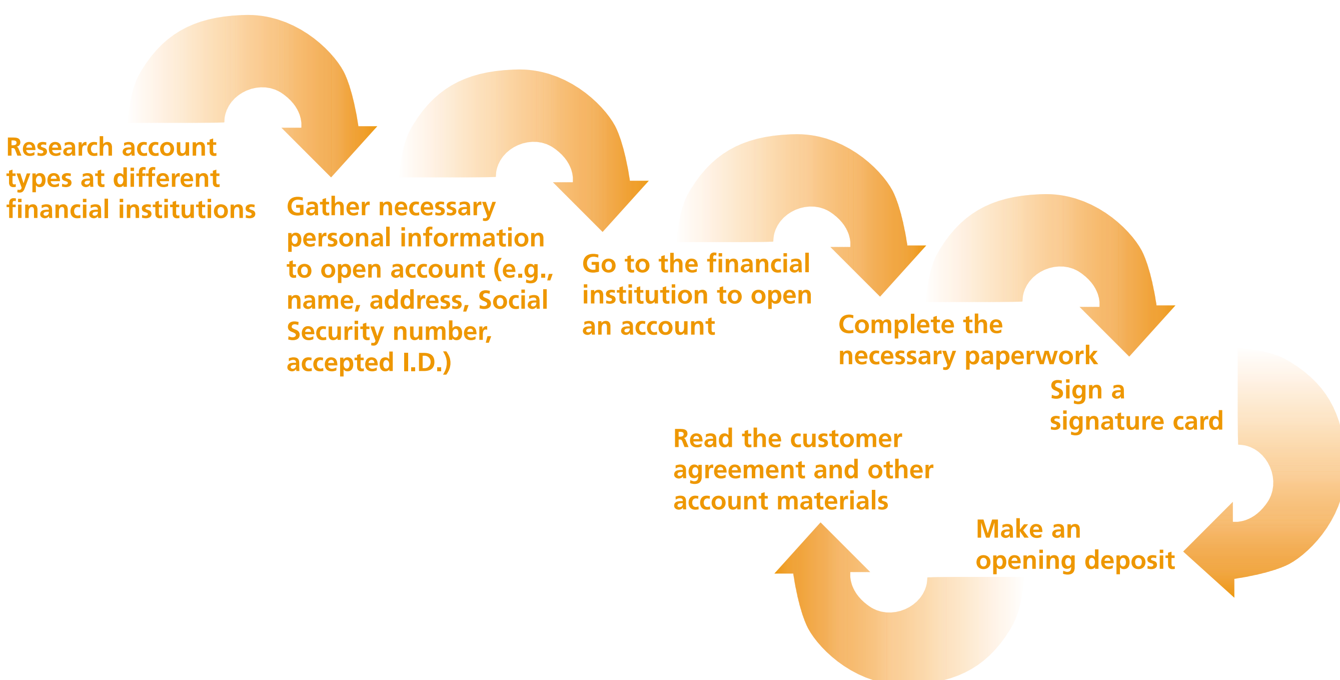
Study Objectives

Underline/highlight the answers to these questions as you read:

1. **What is the process to open an account?**
2. **Why is personal information collected?**
3. **What is the customer agreement?**
4. **What can you do if your account application is denied?**

See Appendix A: Researching a Checking or Savings Account (page 33) for a worksheet to help you understand the differences between accounts.

There are a number of steps to opening an account. Review the following flow chart to understand the process.



When you go to open an account, you will be asked to provide personal information such as your name, address, and Social Security number. To be sure that you have not mishandled a checking or savings account in the past, the financial institution will contact a national company that collects this information. Once you have been approved, the financial institution will make a photocopy of your picture identification (I.D.) for their files. They will also ask you to sign a **signature card**. The financial institution keeps a copy of your I.D. and the signature card to prevent unauthorized people from gaining access to your account.

You will need to make an opening deposit to open your account. The amount of money needed for an opening deposit will depend on the financial institution and the type of account you choose. Read the **customer agreement** and other information you are provided to learn about the costs and features of your account. Do not hesitate to ask questions; the financial institution is there to service your needs.

Account Application Denials

If your application for an account is denied, it is probably because you have mishandled an account in the past. Financial institutions across the country report forced closures and mishandling of accounts to a national company, Chex Systems. Information about a poorly handled account will stay on this system for five years. If your account application is denied and you would like to work toward opening a new account, consider taking the following steps:

- Contact your former financial institution to pay off any outstanding balance on your old account.
- Provide the new financial institution with proof that you have settled your old account.
- Work with your new financial institution to establish your ability to manage an account. Be prepared to start with a savings account and work toward opening a new checking account.
- Contact Consumer Credit Counseling Service toll-free at 1-866-499-8771 to discuss your personal situation with a counselor.

Self-Assessment 2

1. To open a checking or savings account, start by (check all that apply):
   - ❏ a. calling several financial institutions and learning about their account products, services, and costs.
   - ❏ b. going to the financial institution that has the most advertisements in the newspaper.
   - ❏ c. asking your store manager about special offers with local financial institutions for Home Depot employees.

2. True or False. A financial institution uses your personal identification and signature card to prevent unauthorized people from gaining access to your account.
   - ❏ a. True
   - ❏ b. False

3. A customer agreement is:
   - ❏ a. a contract with the financial institution.
   - ❏ b. information about the costs and features of specific accounts.

4. If your application to open an account is denied, you can (check all that apply):
   - ❏ a. cry.
   - ❏ b. contact your old financial institution and settle your account.
   - ❏ c. call Consumer Credit Counseling Service at 1-866-499-8771.

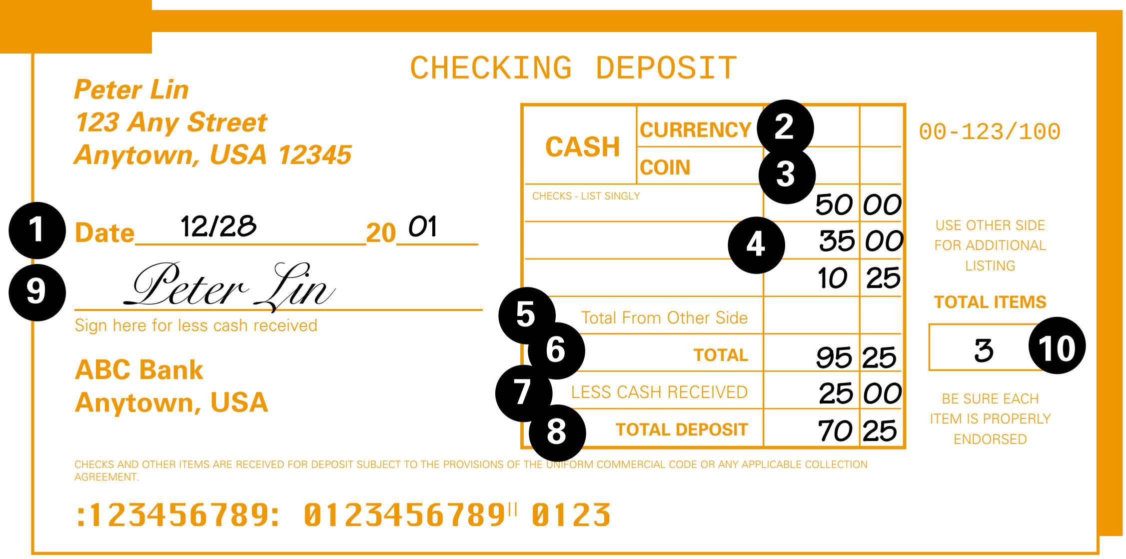
How did you do?: 1.a,c 2.a 3.b 4.b,c

Study Objectives

Underline/highlight the answers to these questions as you read:

1. **What is a deposit?**
2. **How do you complete a deposit slip?**
3. **What does endorsing a check mean?**
4. **Which type of endorsement is the safest to use for ATM deposits?**

Making a Deposit



Making a deposit is putting money into your account. Each time you make a **deposit** to your account, you will need to complete a deposit slip. You will find a deposit slip in the back of your checkbook or at your financial institution.

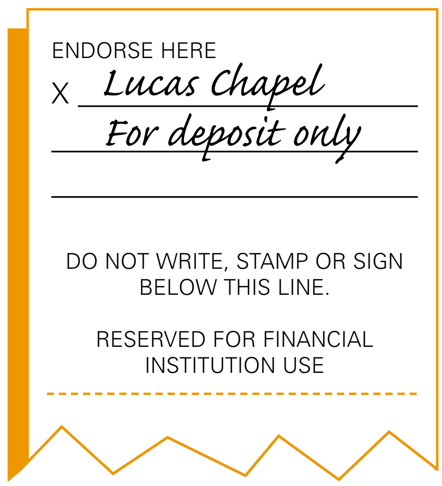
1. Write the date on which you are making the deposit.
2. If you are depositing currency (paper bills), write the total amount.
3. If you are depositing coins, write the total amount.
4. Write the amount of each check.
5. If you are depositing more checks than can be listed on the front, list your remaining checks on the back and total them. Write that total in the space provided on the front.
6. Add currency (paper bills), coins, and all checks, and record the total.
7. If you want to deposit a portion of your money and receive some cash back, write the amount of cash you would like to receive.
8. Write your final total deposit. You will want to subtract the amount of cash you received back (step #7) from your subtotal (step #6).
9. If you choose to receive cash back, sign in this space while the teller watches.
10. Write the total number of items you are depositing into your account.

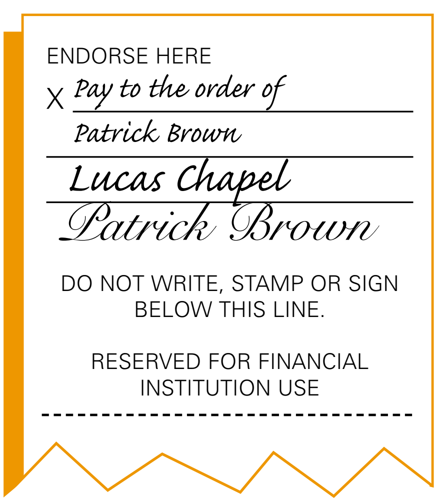
Endorsing a Check

Endorsing a check is signing the back of a check that is made out to you to release the funds. You will need to **endorse** all checks that you deposit. You should sign your name exactly as it is listed on the front of the check. There is a designated space for your signature on the back of all checks. There are three types of endorsements:

Blank endorsements: This is when you sign the back of the check and provide no instructions. Once you have signed the back, anyone can cash the check.

Specific endorsements: This is when you identify a purpose for the check (i.e., "deposit only"). It is a good idea to use this type of endorsement when you are depositing a check—especially if you are using an ATM.





Two-party checks/transfer endorsements: This is when you transfer a check that has been written to you to another person. After you endorse a check, only the person who is named in the endorsement can cash or deposit the check (i.e., Pay to the order of Patrick Brown). In this example, Patrick Brown will be asked to sign the back of the check and possibly show I.D. when he cashes or deposits the check. A check can only be transferred to one other party. Therefore, (in this example) Patrick Brown must cash the check.

Self-Assessment 3

1. To make a deposit is to:
   - ❑ a. withdraw money from your account.
   - ❑ b. leave money in a safe place.
   - ❑ c. put money into your account.

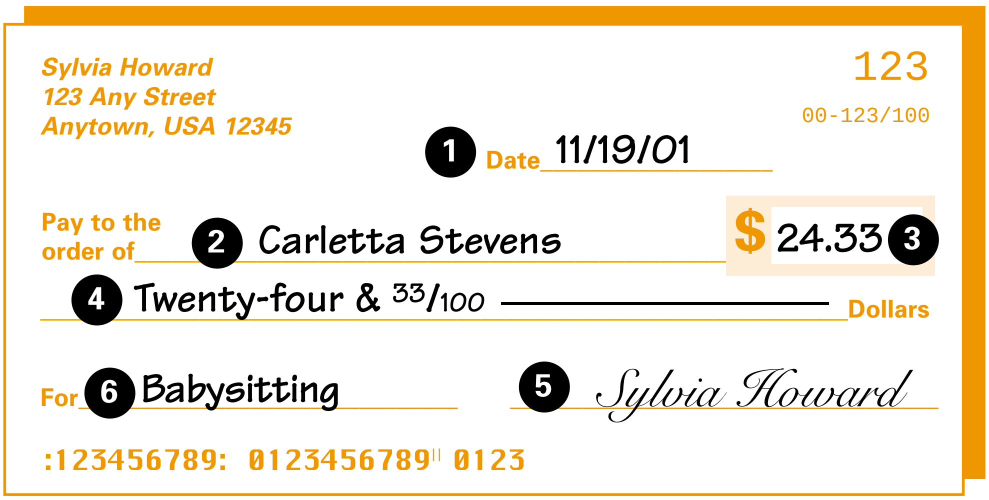
2. To endorse a check is to:
   - ❑ a. deposit a check into your account.
   - ❑ b. sign the back of a check that is made out to you to release the funds.

3. A ____________ endorsement is the safest way to ensure that a check may only be deposited into your account.
   - ❑ a. blank
   - ❑ b. specific
   - ❑ c. transfer

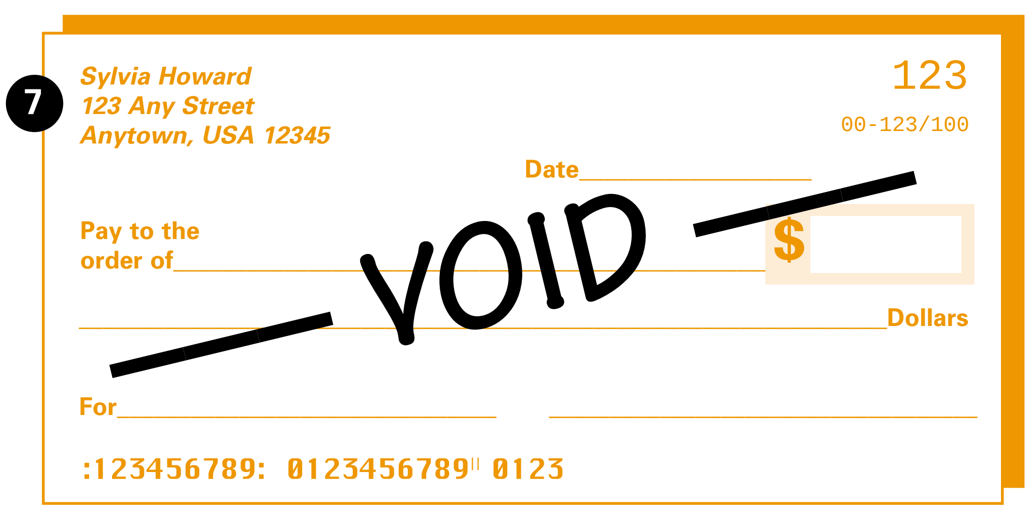
How did you do?: 1.c 2.b 3.b

Writing a Check

If you have a checking account, you can write checks. Checks are used for paying bills and making purchases when you do not want to use cash. Checks allow you to use the money in your account to pay for things without having to withdraw cash.



1. Write the date.
2. Write the name of the person or company you are paying.
3. Enter the dollar amount of the check in numbers (e.g., $24.33).
4. Write out the dollar amount of the check in words. Follow the dollar amount with the number of cents written as a fraction over 100. If there are no cents, you can write 00/100. Draw a line from the end of your writing to the end of the line so that there is no room for anyone to insert words or numbers.
5. Sign your check the same way you signed your signature card.
6. Write the purpose of the check. If you are paying a bill, you may also want to write your account or invoice number here.
7. If you make a mistake writing a check, you may need to write a new one. In this situation, write VOID in large letters across the incorrect check to ensure that no one can cash it. Then tear it up and throw it into the garbage.



Study Objectives

Underline/highlight the answers to these questions as you read:

1. **What are checks used for?**
2. **How do you write a check?**
3. **What is forgery?**
4. **What are some ways to prevent forgery?**

Preventing Forgery

Forgery is when a person purposefully tries to withdraw money from your account by pretending to be you.

If for any reason you think that someone has taken one of your checks, immediately call your financial institution. Explain the situation and request that they cancel the check before anyone has an opportunity to cash it. This is called a **stop-payment**. There may be a fee for placing a stop-payment on a check, but it is better than having someone rob you of your savings.

To prevent forgery:

- Use a blue ballpoint pen to write your checks. This way no one can photocopy your check or erase your writing and increase the amount of the check.
- If you make a mistake on a check, write "VOID" in big letters across the check. Tear it up and throw it into the garbage.
- Write your checks in cursive. Cursive is more difficult to imitate than printing.
- Don't sign blank checks. Wait until a check is filled out to sign it.
- Don't leave any extra room on the line where you write out the dollar amount of the check. Use a line to eliminate the blank space.
- Do not use erasable pen to write your checks.
- Keep your checkbook in a safe place.

Self-Assessment 4

1. Checks are used for (check all that apply):
   - ❑ a. paying bills.
   - ❑ b. making purchases without cash.

2. Forgery is when:
   - ❑ a. a person makes a deposit for another person.
   - ❑ b. you cancel a check you have written.
   - ❑ c. a person tries to withdraw money from an account that is not theirs.

3. You can prevent forgery by (check all that apply):
   - ❑ a. writing "VOID" across a check if you make a mistake.
   - ❑ b. using a ballpoint pen to write your checks.
   - ❑ c. writing in clear print so that people can read your handwriting.
   - ❑ d. keeping your checkbook in a safe place.

How did you do?: 1.a,b 2.c 3.a,b,d

Using a Check Register

A **check register** is a tool for keeping track of the daily balance in your checking account. When you have a checking account, it is VERY important that you keep track of how much money is in your account. You NEVER want to write a check for more money than you have available in your account.

You should use your check register to record ALL account transactions such as deposits, fees, and ATM or check card withdrawals. This way you will know how much is in your account at all times.

Study Objectives

Underline/highlight the answers to these questions as you read:

1. **What is a check register?**
2. **What types of transactions are recorded in a check register?**
3. **What is an account statement?**

Using Keisha's Check Register Exercise

Keisha is a sales associate in the garden department at Home Depot in Atlanta. She also makes jewelry for a hobby and sells it at local craft fairs. Keisha has a checking account at a credit union near her home. This is Keisha's check register:

Date	Check #	Description	Addition (Deposit)	Subtraction (Debit)	Balance
		Starting Balance			*$175.25*
6/5	300	Buy work clothes @ Save City		$50.25	$125.00
6/5		Non-bank ATM		$20.00	$105.00
		ATM fee		$1.50	$103.50
6/6	301	Lucky Mart groceries		$12.65	$90.85
6/10	302	Gas		$15.00	$75.85
6/12	303	Lucky Mart groceries		$11.75	$64.10
6/15		Paycheck	$400.00		$464.10
6/15		ATM cash		$30.00	$434.10
6/16		ATM cash/purchase jewelry supplies		$100.00	$334.10
6/16	304	VOID check			

Using Keisha's check register, answer the following questions.

1. How much did Keisha start with in her checking account?

   ____

2. To whom did Keisha write check #301? How much was the check for?

   ____

   ____

3. What transactions did Keisha complete on 6/15? For how much?

   ____

   ____

4. What was the checking account balance after Keisha wrote check #303?

   ____

5. Record the following transactions on the check register on page 15. Then calculate the new account balance.

Date	Check #	Transaction	Amount
6/16	305	Wrote check to power company to pay bill	$32.75
6/17		Withdrew money at a non-bank ATM	$20.00
6/17		Service fee for non-bank ATM use	$1.50
6/28	306	Wrote check to pay credit card bill	$60.00
6/30		Deposited paycheck	$400.00
7/1	307	Made error on check so did not use it	
7/1	308	Wrote check to Lucky Mart for groceries	$25.50
7/2		Received account statement – account fees	$3.00

What is Keisha's new balance? ________________

See answer section page 30 to check your work.

Reading Your Account Statement

At the end of each month, you will receive an **account statement**. Your account statement is a record of your account activity over a specific period of time. While your statement may not look exactly like this, it should contain the same basic information.

9 **1-800-000-0000** **ABC Bank**

Nicholas Eckman
Anywhere Avenue
Someplace, CA 94116

2 **Statement Period** 1/1/01 to 1/31/01
1 **Account Number** 1234566

3	**Beginning Balance**	$50.00
4	**Total Deposits**	$450.00
5	**Total Withdrawals**	$196.50
8	**Ending Balance**	$303.50

6 ***Withdrawals from Account***

Date	Check #	Amount
1/5/01	101	$75.00
1/10/01	102	$35.00
1/21/01	104*	$40.00
1/26/01	ATM	$40.00
1/26/01	Non-ATM fee	$1.50
1/31/01	Service charge	$5.00

7 ***Deposits to Account***

Date	Amount
1/1/01	$300.00
1/7/01	$100.00
1/25/01	$50.00

1. Your account number.
2. Statement period. The period of time covered by the statement.
3. The amount of money in your account at the beginning of the time period.
4. The amount of money that you deposited into your account during the time period.
5. The amount of money that was withdrawn from your account during the time period.
6. Every withdrawal from your account is listed for the time period. Each check will be identified by a check number. An asterisk * is used to identify a break in the check sequence. This may mean that the recipient did not cash the check during the account statement time period.
7. All deposits into your account are listed. Automatic deposits, ATM deposits, and interest are all included.
8. The amount of money in your account at the end of the account period. This will become the beginning balance for the next time period.
9. A customer service number is always listed in case you have any questions about your statement. Do not hesitate to call and ask any questions related to your account—that is what the customer service people are there for.

Self-Assessment 5

1. A check register is:
   - ❑ a. a statement you receive from the bank about your account.
   - ❑ b. a tool to keep track of the daily balance in your checking account.

2. You should record _______ account transactions such as deposits, fees, and withdrawals in your check register.
   - ❑ a. important
   - ❑ b. large
   - ❑ c. all

3. An account statement is (check all that apply):
   - ❑ a. a record of your account activity.
   - ❑ b. a list of your income and expenses.
   - ❑ c. a document you receive each month.

How did you do?: 1.b 2.c 3.a,c

Study Objectives

Underline/highlight the answers to these questions as you read:

1. **What does it mean to balance your checkbook?**
2. **How often should you balance your checkbook?**

Balancing Your Checkbook

Balancing your checkbook is when you compare the personal records you have kept in your check register with your account statement. It is also called **reconciling** your checkbook with your account statement. After all financial transactions have been recorded in both places, the balances should be the same.

Balance your checkbook each month to ensure that you know where and how you spent your money. You can use the form provided on the back of your account statement or the four-step process on page 19. One of the most often overlooked “withdrawals” is bank **service charges** or other automatic withdrawals. Make sure to record all transactions in your check register. Neglecting to balance your checkbook can result in **bounced checks** and inaccurate balances.

Balancing Derek's Checkbook Exercise

Derek lives in St. Louis. He works at Home Depot as a sales associate in the lumber department and fixes cars on the side. Using the following four-step process, reconcile Derek's checkbook with his account statement.

Step 1: Compare the account statement with the check register.

Step 2: Revise the check register to include all financial transactions listed on the account statement. Calculate the new check register balance.

Step 3: Revise the account statement balance to reflect all financial transactions listed in the check register. Calculate the new account statement balance.

Step 4: Compare the new check register balance with the new account statement balance.

Goal: Derek's check register and account statement should have the same balance after all financial transactions have been recorded in both places. Follow the four-step process to determine if the balances are the same.

Step 1: Begin by comparing the account statement (page 21) with the check register (page 21).

a. Place the account statement and check register next to each other.
b. Place a check mark next to transactions that are listed in the account statement and check register. Make sure to place a checkmark next to the item in both places.

Step 2: Next, revise the check register to include all financial transactions listed on the account statement. Complete this step by calculating a new check register balance.

a. Are there any transactions that are not checkmarked on Derek's account statement?______
b. List the items that are not checkmarked on the account statement. Include any bank fees under withdrawals.

Withdrawals from Account

Date	Check #	Amount
		( )
		( )
		( )
		( )
		( )

Deposits to Account

Date	Check #	Amount
		( )
		( )
		( )
		( )

c. Add these items to Derek's check register. Items listed under "Withdrawals from Account" should be subtracted from Derek's balance. Items listed under "Deposits to Account" should be added to Derek's balance.
d. Place a check mark next to each item after you enter it into the check register. Make sure to mark the item on the account statement as well. Now these transactions are recorded in both the check register and the account statement.
e. Calculate Derek's new check register balance. $______________

Step 3: Next, revise the account statement balance to reflect all financial transactions listed in the check register. Complete this step by calculating a new account statement balance.
a. Write the ending balance shown at the top of the account statement. $__________
b. Are there any transactions that are not checkmarked on Derek's check register? _________
c. List the items that are not checkmarked on the check register.

Date	Check #	Description	Addition	Subtraction

d. Calculate the new account statement balance. Add and/or subtract the listed items from part c from the ending account statement balance listed in part a.
Account statement ending balance (part a)
+/-
Items that were not checkmarked in the check register (part c)
=
New account statement balance
$____________

Step 4: The last step is to compare the new account statement balance with the new check register balance. If they are equal, it means that the transactions have been recorded correctly. If not, go back and check your calculations at each step in the process.
a. Write the new check register balance from Step 2 part e. $______________
b. Write the new account statement balance from Step 3 part d. $_____________
c. Compare the ending balances. Are they the same? _______

See answer section page 30 to check your work.

Check Register

Date	Check #	✓	Description	Addition (Deposit)	Subtraction (Debit)	Balance
1/1			Opening deposit	$500.00		$500.00
1/3	101		Grocery store		$75.00	$425.00
1/4	102		Electric bill		$35.00	$390.00
1/7			Deposit/paycheck	$250.00		$640.00
1/20	103		VOID check/made error writing			$640.00
1/20	104		Car parts		$40.00	$600.00
1/25			Deposit/auto job	$150.00		$750.00
1/26			ATM withdrawal		$40.00	$710.00
1/30	105		Rent		$300.00	$410.00
2/1			Deposit/bonus	$50.00		$460.00

Account Statement

1-800-000-0000 **ABC Bank**

Derek Vasser
Bay Lane
St. Louis, MO 12345

Statement Period 1/1/01 to 1/31/01
Account Number 1234566

Beginning Balance	$0.00
Total Deposits	$900.00
Total Withdrawals	$196.50
Ending Balance	$703.50

Withdrawals from Account

Date	Check #	Amount
1/5/01	101	$75.00
1/10/01	102	$35.00
1/21/01	104*	$40.00
1/26/01	ATM	$40.00
1/26/01	Non-ATM fee	$1.50
1/31/01	Service charge	$5.00

Deposits to Account

Date	Amount
1/1/01	$500.00
1/7/01	$250.00
1/25/01	$150.00

Checkbook Balancing Tips

If you are having trouble balancing your checkbook:

- Compare the dollar amount of the canceled checks listed on your statement with your check register.
- Compare the dollar amount of the deposits listed on your statement with your check register. If they are not the same, check your deposit receipts.
- Make sure that you subtracted all bank service charges and fees from your check register.
- Be sure you recorded all cash machine (ATM) and other transactions (e.g., debit card, deposit) in your check register.
- If you have an interest-earning account, be sure that you added the interest you were paid by the financial institution.
- Check all additions and subtractions in your check register.

If you cannot figure out the problem, call your financial institution.

Self-Assessment 6

1. Balancing your checkbook is to (check all that apply):
   - ❑ a. try to hold it on the tip of your forefinger without letting it fall.
   - ❑ b. compare your check register with your account statement.
   - ❑ c. reconcile your checkbook with your account statement.

2. You should balance your checkbook ___________.
   - ❑ a. every six months.
   - ❑ b. every other month.
   - ❑ c. every month.

How did you do?: 1.b,c 2.c

Saving with Direct Deposit

Once you have an account at a financial institution, there are some financial products and services that may help you manage your money. **Direct deposit** is when funds are deposited directly into your account. With your agreement, payroll earnings, Social Security benefits, retirement earnings, and other checks you receive on a regular basis may be direct-deposited into your account.

Direct deposit saves you and your company money. It can help you to use your spending plan and save money toward your savings goals. Because your money goes directly into your account, it is often easier to put aside savings and manage the flow of money through your household. It also spares you the inconvenience of traveling to pick up and deposit your checks. Once you have an account, call **1-800-429-3376** (Home Depot Employee Direct Access Line) to sign up for direct deposit.

Study Objectives

Underline/highlight the answers to these questions as you read:

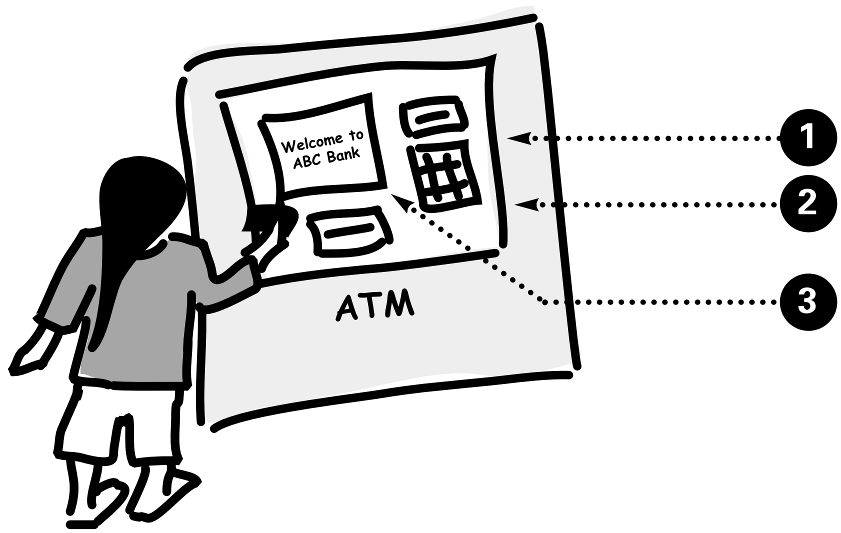
1. **What is direct deposit?**
2. **What types of financial transactions can you do at an ATM?**
3. **What is a PIN?**
4. **What are some typical fees associated with using an ATM?**
5. **What is a debit card?**

Using an Automated Teller Machine (ATM)

Many people use cash machines, otherwise known as **automated teller machines (ATMs)** to handle their financial transactions. The services provided by each ATM varies. Many ATMs allow you to electronically do the same transactions as you do at a financial institution, such as:

- Withdraw cash
- Make a deposit
- Check account balances
- Receive a copy of your statement
- Transfer money between accounts
- Transact special services (e.g., purchase stamps)

An ATM allows you to access your account 24 hours a day by using your ATM card and **personal identification number (PIN)**. Your PIN is your password to your account. Your financial institution will either assign you a PIN or let you choose one for yourself. Either way, it is important to keep your PIN a secret so that no unauthorized person uses your account.



There are four steps to using an ATM card:

1. Insert your ATM card into the slot on the machine.
2. Enter your PIN.
3. Follow the directions on the screen.
4. Each time you use your ATM card you should immediately enter the transaction into your check register. Also, keep the receipt for your records.

ATM Fees

Ask your financial institution about fees for using an ATM card. The best way to avoid ATM fees is to use machines that are owned by your financial institution.
Common fees include:

- Monthly or yearly fee to use the card.
- Fee to use the card at another financial institution's ATM.
  - Often, you are charged a fee for using another financial institution's ATM.
  - Sometimes when you use another financial institution's ATM, your financial institution and the ATM owner's financial institution charge you. For example, Sarah has an ATM card from W credit union. One day she needs some cash and the only ATM nearby is owned by Z bank. Sarah withdraws $20 and is charged $1.50 by Z bank. On her next credit union account statement, there is also a $1.50 charge by the W credit union for the same transaction. It cost Sarah $3 to withdraw $20 from her account.
- Fee to use the card at your financial institution's ATM.

ATM Safety Tips

Using an ATM can be a very convenient way to access financial services. If you use ATM services make sure to:

- Sign the back of your card as soon as you get it. Read all the information that comes with your card.
- Memorize your PIN. Do not write it on your card or keep it in your wallet.
- Keep all ATM receipts and record transactions in your checking or savings account register. Remember to subtract fees.
- Do not bend or scratch your card.
- Keep your card away from hot or magnetic surfaces.
- Avoid using ATM machines at night or in unlit areas.

If your ATM card is lost or stolen, call your financial institution immediately. If you report your card missing before another party uses it, you will not be held responsible. If you report your card missing after an unauthorized party uses it, you will be held responsible for an amount depending on the time period that has lapsed since you lost it.

If you report your card missing:

- Within two business days after you learn of the loss—you will be held responsible for no more than $50 in unauthorized withdrawals.
- After two business days, but within 60 days after the institution sends you a statement showing an unauthorized withdrawal—you could lose up to $500.
- After 60 days—you could lose all the money that was taken from your account.

Using a Debit Card

A **debit card** is a plastic card that can be used at an ATM to conduct financial transactions or a **point of sale terminal (POS)** to buy something. Some businesses allow you to obtain additional cash when you make a purchase at a POS with a debit card.

Debit cards are also called check cards. When you use a debit card, money is immediately withdrawn from your checking account. Make sure to ask your financial institution about fees that may be charged for debit transactions. Each time you use your debit card you should immediately enter the transaction into your check register.

You should treat your debit card similar to an ATM card and use the same safety practices we discussed in *ATM Safety Tips*.

Self-Assessment 7

1. Direct deposit is when:
   - ❏ a. you deposit your paycheck immediately.
   - ❏ b. your employer deposits your paycheck directly into your account.

2. Many ATMs allow you to electronically (check all that apply):
   - ❏ a. withdraw cash.
   - ❏ b. make a deposit.
   - ❏ c. check account balances.
   - ❏ d. receive a copy of your statement.

3. Your PIN is (check all that apply):
   - ❏ a. your password to your account.
   - ❏ b. a secret so that no unauthorized person uses your account.
   - ❏ c. your personal identification number.

4. Common ATM fees include a (check all that apply):
   - ❏ a. fee to use another financial institution's ATM.
   - ❏ b. monthly or yearly account fee.
   - ❏ c. fee for each type of financial service used.

5. A debit card is a:
   - ❏ a. credit card.
   - ❏ b. card that can be used at ATMs or to make purchases at point of sale terminals.

How did you do?: 1.b 2.a,b,c,d 3.a,b,c 4.a,b 5.b

Study Objectives

Underline/highlight the answers to these questions as you read:

1. **When you deposit money into your account, when is it available?**
2. **When you write a check, when is the money withdrawn from your account?**
3. **What does it mean to bounce a check?**
4. **What happens when you bounce a check?**

Managing Your Account

As you use your account to manage money, there are a number of issues to keep in mind.

Timing

Timing is very important. Many people get confused about the timing of checking account deposits and withdrawals. When you deposit money into your account, there is usually a delay before you can access the funds. Federal law sets the time limits for "holds" on funds and your access to them. The following chart explains the different types of deposits and when you have access to those funds. You will want to check with your financial institution to understand their policies around fund availability.

When Will Your Money Be Available?

TYPE OF DEPOSIT	WHEN AVAILABLE
Direct deposit of federal benefits	Morning of deposit
Electronic payments (such as payroll direct deposits)	Next business day (Mon-Fri)
First $100 of any non-next day check deposited	Next business day (Mon-Fri)
Cash (deposited in person)	Next business day (Mon-Fri)
U.S. Treasury checks (deposited in person or at ATM owned by your financial institution)	Next business day (Mon-Fri)
*U.S. Postal Service money orders (deposited in person)	Next business day (Mon-Fri)
*State or local government checks (deposited in person)	Next business day (Mon-Fri)
*Cashier's, certified, or teller's checks (deposited in person)	Next business day (Mon-Fri)
Checks and other money orders drawn on another account at the same bank	Next business day (Mon-Fri)
*Federal Reserve Bank and Federal Home Loan Bank checks (deposited in person)	Next business day (Mon-Fri)
Checks and non-U.S. Postal Service money orders from local banks	Second business day (after the day of deposit)
Deposits (of items noted by "*") made at an ATM owned by your bank	Second business day (after the day of deposit)
Checks and non-U.S. Postal Service money orders from outside your State or Federal Reserve office area	Fifth business day (after the day of deposit)

Table adapted from Helping People in Your Community Understand Basic Financial Services

When you write a check, your account balance will not be affected until the check is cashed. Therefore, your account balance may appear higher than you expect. Be careful not to spend money that you have already committed in a written check. Use your check register to keep track of your account balance.

Bouncing Checks

Bouncing a check is when there is not enough money in your account to cover a check you have written and it "bounces" back. As you manage your checking account it is very important to keep enough money in your account to cover all of the checks you have written. The financial institution will charge you a significant penalty fee ($15–$50) for bouncing a check. This charge will appear on your statement as **nonsufficient funds (NSF)**. You may also receive a letter from your financial institution stating this fact. The financial institution usually does not pay the person/business that tried to cash the check. They will send it back to the person who tried to cash it and indicate that there was not enough money in the account to cover the sum. A series of bounced checks will lead to the closure of your account. After your account has been closed, it may be difficult to open a new account at any financial institution.

In addition to bank fees, a business will often charge you a fee for bouncing a check. Because the business did not receive payment from the financial institution, they will want you to pay your bill. Many businesses will keep track of people who have written bad checks. They do not accept these people's checks. This is understandable, particularly for community businesses, because they depend on customer payments to meet their own expenses. Support the businesses in your community by providing on-time and complete payments.

Self-Assessment 8

1. True or false. When you deposit a check, the money is immediately available for you to spend.
   - ❏ a. True
   - ❏ b. False

2. When you write a check, the money is withdrawn from your account when the check is ____________.
   - ❏ a. deposited
   - ❏ b. cashed
   - ❏ c. written

3. Bouncing a check is when:
   - ❏ a. you write many checks on one day.
   - ❏ b. you throw a check down on the floor.
   - ❏ c. there is not enough money in your account to cover a check you have written.

4. When you bounce a check (check all that apply):
   - ❏ a. your financial institution will charge you a penalty fee.
   - ❏ b. the business that you were paying with the check will charge you a penalty fee.
   - ❏ c. you will still have to pay the initial bill.

How did you do?: 1.b 2.b 3.c 4.a,b,c

If you would like to confidentially discuss your personal financial situation or have further questions about anything discussed in this workbook, please call Consumer Credit Counseling Service toll-free at 1-866-499-8771.

Summary Points

- Checking and savings accounts are generally the safest, most secure and least expensive way to manage your money.
- A financial institution will pay you interest for keeping money in your account. Interest is calculated as a percentage of the total funds you have in your account.
- Talk to a number of financial institutions before you select one.
- Record ALL transactions in your check register.
- Balance your checkbook each month to be sure you have entered all transactions into your check register.
- Direct deposit is when funds, such as your payroll check, are deposited directly into your account. It is convenient and will save you and your company money. After you open an account call 1.800.429.3376 to sign up.
- ATMs allow you to electronically access your accounts at financial institutions. Pay attention to ATM fees that apply to you account.
- Managing your account means keeping good records and always making sure that you have enough money in your account before you write a check.

To review the concepts discussed in this session, complete the following exercise.

1. List two benefits to having a checking or savings account.

____

____

2. Explain the difference between keeping your savings at home and keeping it in an interest-earning savings account.

____

____

____

3. Peter Lin goes to the bank. He needs to deposit two checks and would like to get $20 in cash. Complete the deposit slip for Peter Lin.

Claudia Hung
123 Any Street
Anytown, USA 12345

123

00-123/100

Date 10/5/01

Pay to the order of Peter Lin $ 33.43

Thirty-three & 43/100 Dollars

For ____________ Claudia Hung

:123456789: 0123456789‖ 0123

Mark Whitman
123 Any Street
Anytown, USA 12345

456

00-123/100

Date 10/6/01

Pay to the order of Peter Lin $ 250.00

Two hundred fifty & 00/100 Dollars

For ____________ Mark Whitman

:123456789: 0123456789‖ 0456

Peter Lin
123 Any Street
Anytown, USA 12345

DEPOSIT TICKET

CASH	CURRENCY		
	COIN		
CHECKS - LIST SINGLY			
Total From Other Side			
TOTAL			
LESS CASH RECEIVED			
TOTAL DEPOSIT			

00-123/100

USE OTHER SIDE FOR ADDITIONAL LISTING

TOTAL ITEMS

BE SURE EACH ITEM IS PROPERLY ENDORSED

Date ______________ 20 ______

____
Sign here for less cash received

ABC Bank
Anytown, USA

CHECKS AND OTHER ITEMS ARE RECEIVED FOR DEPOSIT SUBJECT TO THE PROVISIONS OF THE UNIFORM COMMERCIAL CODE OR ANY APPLICABLE COLLECTION AGREEMENT.

:123456789: 0123456789‖ 0123

4. Complete the following exercise.
   a. Write check number 220 in the amount of $65.70 to Larry's Auto to fix your muffler. Use today's date.
   b. You learn that the cost of fixing your car is actually $71.20. What should you do to check number 220? Do it.
   c. Write check number 221 in the amount of $71.20 to Larry's Auto.

Your Name
Your Street
Your Town, USA 12345

220
00-123/100

Date__________________

Pay to the
order of____ $ ________

____Dollars

For______________________________ ______________________________

:123456789: 0123456789ᴵᴵ 0220

Your Name
Your Street
Your Town, USA 12345

221
00-123/100

Date__________________

Pay to the
order of____ $ ________

____Dollars

For______________________________ ______________________________

:123456789: 0123456789ᴵᴵ 0221

5. Why is it important to balance your checkbook each month?

____

____

6. List two benefits of using direct deposit for your paychecks.

____

____

7. Describe the penalty fees that are charged when you bounce a check.

____

____

See answer section page 30 to check your work.

Using Keisha's Check Register Exercise

1. How much did Keisha start with in his checking account?
   $175.25

2. To whom did Keisha write check #301? How much was the check for?
   Lucky Mart for $12.65

3. What transactions did Keisha complete on 6/15? For how much?
   Deposit for $400.00 and an ATM cash withdrawal for $30.00

4. What was the new checking account balance after Keisha wrote check #303?
   $64.10

5.

Date	Check #	Description	Addition (Deposit)	Subtraction (Debit)	Balance
		Starting Balance			***$175.25***
6/5	300	Buy work clothes @ Save City		$50.25	$125.00
6/5		Non-bank ATM		$20.00	$105.00
		ATM fee		$1.50	$103.50
6/6	301	Lucky Mart groceries		$12.65	$ 90.85
6/10	302	Gas		$15.00	$ 75.85
6/12	303	Lucky Mart groceries		$11.75	$ 64.10
6/15		Paycheck	$400.00		$464.10
6/15		ATM cash		$30.00	$434.10
6/16		ATM cash/purchase jewelry supplies		$100.00	$334.10
6/16	304	VOID check			
6/16	305	Power company bill		$32.75	$301.35
6/17		Non-bank ATM		$20.00	$281.35
6/17		ATM fee		$1.50	$279.85
6/28	306	Credit card bill		$60.00	$219.85
6/30		Deposited paycheck	$400.00		$619.85
7/1	307	VOID check			$619.85
7/1	308	Lucky Mart groceries		$25.50	$594.35
7/2		Account fees		$3.00	$591.35

ANSWERS

What is Keisha's new balance? $591.35

Balancing Derek's Checkbook Exercise

Step 2.a: Yes

Step 2.b:

Withdrawals from Account

Date	Check #	Amount
1/26/01	Non-ATM fee	($1.50)
1/31/01	Service charge	($5.00)

Step 2.e: $453.50

Step 3.a: $703.50
Step 3.b: Yes
Step 3.c:

Date	Check #	Description	Addition	Subtraction
1/30	105	Rent		$300.00
2/1		Bonus	$50.00	

Step 3.d: $453.50

Knowledge Review Answers

Self-Assessment

1. List two benefits to having a checking or savings account.

   Answers may include any of the following:
   - *Checking and savings accounts are safe places to keep your money.*
   - *Checking and savings accounts help you to stick to your spending plan.*
   - *Checking and savings accounts allow you to earn interest on the money you keep in your account.*
   - *Checking and savings accounts are inexpensive ways to cash and write checks.*
   - *Checking and savings accounts help you establish a relationship with a financial institution.*

2. Explain the difference between keeping your savings at home and keeping it in an interest-earning savings account.

   When you keep your savings in an interest-earning account, it will increase faster than money saved at home.

3. Complete the following deposit slip:

DEPOSIT TICKET

Peter Lin
123 Any Street
Anytown, USA 12345

Date 10/17 **20** 01

Peter Lin
Sign here for less cash received

ABC Bank
Anytown, USA

CASH	**CURRENCY**		
	COIN		
CHECKS - LIST SINGLY		250	00
		33	43
	Total From Other Side		
	TOTAL	283	43
	LESS CASH RECEIVED	20	00
	TOTAL DEPOSIT	263	43

00-123/100

USE OTHER SIDE FOR ADDITIONAL LISTING

TOTAL ITEMS

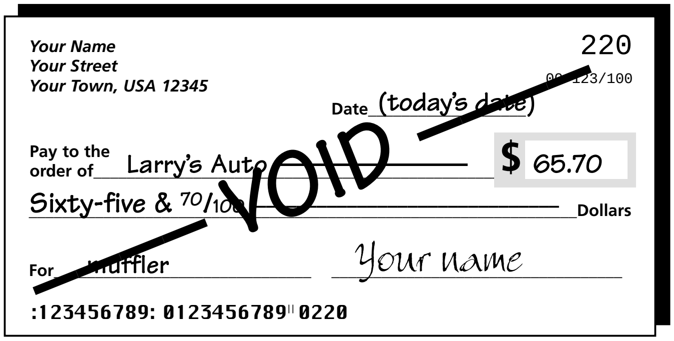
2

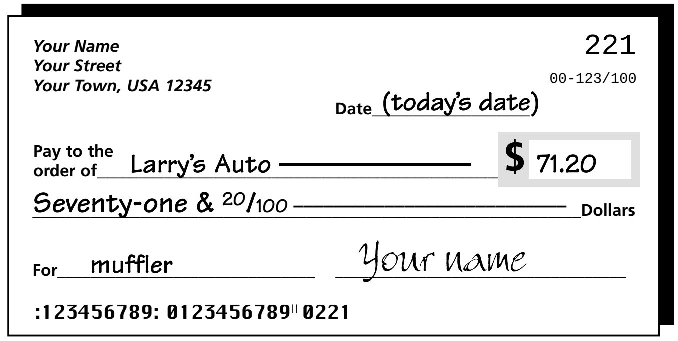
BE SURE EACH ITEM IS PROPERLY ENDORSED

CHECKS AND OTHER ITEMS ARE RECEIVED FOR DEPOSIT SUBJECT TO THE PROVISIONS OF THE UNIFORM COMMERCIAL CODE OR ANY APPLICABLE COLLECTION AGREEMENT.

:123456789: 0123456789" 0123

4. Write the following checks:





5. Why is it important to balance your checkbook each month?

Balance your checkbook each month to ensure that you know where and how you spend your money. Neglecting to record transactions and/or balance your checkbook can result in bounced checks and inaccurate balances.

6. List two benefits of using direct deposit for your paychecks.

Answers may include any of the following:
- *Direct deposit can help you manage the flow of money through your household.*
- *Direct deposit can help you to use your spending plan.*
- *Direct deposit can help you save money to reach your savings goals.*
- *Direct deposit is more convenient than travelling to deposit your checks at a financial institution.*

7. Describe the penalty fees that are charged when you bounce a check.

Often, there are a number of penalty fees when you bounce a check. Your financial institution will charge you a significant penalty fee ($15–$50). Also, the party to whom the check was written will charge you a penalty fee in addition to holding you responsible for paying the original bill.

Researching a Checking or Savings Account

At the top of each column, list the names of the financial institutions you are researching. Record the answers to the following questions to help you select an account.

	FINANCIAL INSTITUTION NAME:	FINANCIAL INSTITUTION NAME:	FINANCIAL INSTITUTION NAME:
What services come with each type of account and what are the fees?			
How much money do I need to open an account?			
How much money do I have to keep in my account to avoid fees?			
How many checks can I write before I am charged a fee?			
What are the fees for bounced checks?			
Will canceled checks be returned to me? If not, how much will it cost to receive a copy of a check?			
How many withdrawals can I make before I am charged a fee?			
What is the interest rate?			
Does an ATM or debit card come with this account?			
What are the fees for cashier's checks and wire transfers?			
How was the customer service?			

Account statement – This is a record of your account activity over a specific period of time.

Annual percentage rate (APR) – The annual interest rate that reflects all of the costs of financing. This rate probably will be higher than the original interest rate quote, because it includes all other costs of getting credit, such as loan fees.

Assets – Financial assets are cash or something that can be converted into cash, such as a savings account, stocks, or real estate.

Automated teller machine (ATM) – ATMs are machines that provide many of the same services as a financial institution. Many financial institutions own ATMs to provide convenient service to their customers. There are various fees attached to using an ATM for financial transactions.

Available balance – This is the amount of money immediately available in your account. This amount does not reflect any withdrawals or deposits that have not yet cleared your account.

Balloon payment – This is the payment that is due at the end of a balloon loan. A balloon loan offers a low interest rate for short-term financing. At the end of the term, the loan requires refinancing or paying off the outstanding balance with a lump-sum payment.

Bounced check – A check that is returned to you because there is not enough money in your account to cover it.

Canceled check – Once a check has been processed and subtracted from the account on which it was written, it is called a canceled check. Canceled checks are often used as "proofs of payment," in place of receipts.

Cashier's check – This type of check is as good as cash. To issue a cashier's check, the financial institution will deduct funds from your account and write the check from its own account. There is usually a fee for a cashier's check.

Check register – A tool for keeping track of the daily balance in your checking account.

Clears – A check you write clears when the amount of the check has been withdrawn from your checking account by the financial institution.

Co-borrowers – Two or more persons who legally agree to take out and be responsible for paying off a loan together.

Collateral – Something of value that the borrower commits to guarantee repayment of a loan.

Commitment letter – A formal offer by a lender stating the terms under which a financial institution agrees to lend money. Sometimes it is called a "loan commitment."

Contingency – A condition that must be met before a contract is "legally binding," that is, before you must legally complete what was agreed to in the contract.

Credit – Credit is when you borrow funds with the intent to repay them.

Credit bureau – An organization that keeps records of people's repayment histories (i.e., credit reports).

Credit history – A list of your debts and regular monthly expenses, including how much you owe and how timely you make your payments.

Credit inquiry – When you apply for credit, the lender will request a copy of your credit report. Each time your credit report is requested from the credit bureau it is documented on your report as an "inquiry."

Credit rating – A rating that indicates how good a credit risk you are. Credit ratings are based on your personal credit history.

Credit report – A report that reflects a person's credit history. The lender orders this report from a credit bureau when you apply for a loan.

Credit score – A process used by lenders to evaluate a loan application. A credit scoring system is based on the lending organization's historical experience with borrowers.

Customer agreement – A document provided by financial institutions that describes the costs and features of their accounts.

Debit – A withdrawal from an account. If you write a $25 check, your account will have a debit of $25 when the check clears.

Debit card – A card that can be used at an ATM to conduct financial transactions or at a point of sale terminal (POS) to buy something.

Debt-to-income ratio – A ratio that compares a loan applicant's total monthly debt to their total income (total monthly debt/ total monthly income = debt-to-income ratio). Lenders use a debt-to-income ratio to help them determine an applicant's capacity to repay a loan. It is generally accepted that a person's total debt should not exceed 45 percent of the person's total income each month.

Debts – Money you owe.

Deposit – To put money into your account.

Depository services – Checking and savings account services offered by some financial institutions.

Default – Failure to pay back money. If you do not make agreed-upon payments, you default on your loan.

Direct deposit – Funds deposited directly into your account. With your agreement, payroll earnings, Social Security benefits, retirement earnings, and other checks you receive on a regular basis may be direct-deposited into your account.

Down payment – The part of a purchase price that you pay when you buy an item such as a car or a house. The lender usually seeks a down payment to show that you are willing to invest in a purchase.

Economy – The way a society organizes to meet the physical needs of its people.

Electronic funds transfer (EFT) – Money transactions to or from checking and savings accounts that do not require paper (checks or cash) but use computer technology. Examples include direct deposit, ATM, and debit card transactions.

Emergency reserve fund – Money you put into an account and save for an emergency.

Endorse – Endorsing a check is when you sign the back of a check that is made out to you in order to release the funds.

Expenses – The amount of money you spend on a regular basis.

Federal Deposit Insurance Corporation (FDIC) – The organization that insures accounts at federal government-regulated financial institutions for up to $100,000 per account.

Fixed expenses – Monthly household costs that do not change.

Flexible expenses – Monthly household costs that you can control, such as groceries.

Forgery – When a person purposefully tries to withdraw money from your account by pretending to be you.

Gross annual income – Total yearly income from all sources before taxes are deducted.

Hold – The number of days a financial institution will hold a check before crediting your account.

Installment credit – This type of credit allows you to borrow a specific amount of money at one time for a defined purpose. You make a set payment each month.

Interest – A fee paid for the use of money. A financial institution will pay you interest for keeping your money at their location. You will pay interest to a financial institution for the use of borrowed funds.

Joint applicant – When two or more people apply together for a loan.

Loan processing – The steps a lender takes to decide if a buyer can qualify for a loan.

Long-term goals – Savings goals you can accomplish by consistently setting aside money for several years.

Luxury expenses – Monthly costs that you choose, such as new clothes and going out for meals.

Market economy – An economic system where goods and services must be purchased from others.

Market value – The expected sale price of something.

Minimum balance – Necessary amount of money on deposit to qualify for special services.

Minimum payment – Smallest possible monthly payment.

Monthly statement – Account summary mailed monthly to a customer.

National Credit Union Share Insurance Fund (NCUSIF) – Insures accounts at federal government-regulated credit unions for up to $100,000 per account.

Net income – Your total income after taxes are taken out.

Noninstallment or service credit – Some businesses and utility companies offer this type of credit. It allows you to pay for a used service at a later date.

Nonsufficient funds (NSF) – A term meaning that the amount of money in your account is less than the amount you would like to withdraw. Also referred to as insufficient funds.

Nontraditional credit history – A credit history you can prepare if you do not have credit cards or have never had a loan. It can include receipts and canceled checks from your monthly payments for rent, utilities, and other bills.

Overdraft protection – A line of credit to cover nonsufficient funds.

Overdrawn – When more is withdrawn from an account than the existing balance.

Payment factor table – A table that you can use to calculate monthly payments and the cost of credit for installment loans.

Personal identification number (PIN) – Your password to your account at a financial institution. You can use your PIN to gain access to your account at an ATM or point of sale terminal (POS).

Point of sale terminal (POS) – A terminal consumers use to make purchases with a debit card at business locations.

Predatory lender – A lender that directs a borrower away from loans with more affordable interest rates. Instead, the applicant is offered a loan with a high interest rate, questionable fees, or unnecessary charges.

Principal – The amount you can actually borrow.

Promotional inquiry – When a company requests a copy of your credit report to "pre-approve" you for a credit card or special offer, it is recorded on your report. This type of inquiry is listed separately from credit inquiries that you request. Potential creditors will only see the credit inquiries that you initiate.

Purchase and sale agreement – A written contract that the buyer and seller sign. It includes all of the terms and conditions of the sale.

Qualify – To determine how much money you are able to borrow.

Reconciling – To balance your checkbook by comparing your check register with your account statement.

Repossess – When a financial institution takes ownership of an item that was purchased using credit because the borrower is not able to repay the loan.

Revolving credit – This type of credit allows you to borrow money at any time up to a set limit. As you pay the borrowed money back, it becomes available again to borrow (e.g., credit cards).

Savings goals – Statements about things you wish you could afford.

Secured credit – This type of credit requires that you provide something of value to guarantee repayment of a loan.

Secured credit card – This type of credit card requires that you deposit a certain amount of cash in a savings account to guarantee your credit card.

Service charge – Financial institutions sometimes charge fees for specific services. These fees will vary depending on the type of account you have. Ask about service charges and fees before you select a financial institution or a type of account.

Short-term goals – Savings goals you can accomplish in a few weeks or months by consistently setting aside money.

Signature card – A card that you sign when you open an account. This card is kept on file at the financial institution and used to verify your signature when you cash checks. This helps to prevent unauthorized people from gaining access to your account.

Spending plan – A strategy for saving and spending money. It can be used as a guide to help you track the flow of money through your household and how that money needs to be divided to meet expenses and savings goals.

Stop payment – An order by a customer not to release issued funds (i.e., not to cash a check).

Terms – The conditions of a loan, including the type, size of down payment, amount you can borrow, interest rate, and length of time to repay.

Tracking – To become aware of the flow of money through your household.

Unsecured credit – This type of credit does not require you to provide something of value to guarantee repayment of a loan.

Notes

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