

Financial Services

Resources

American Bankers Association
www.aba.com

Center for Responsible Lending
www.responsiblelending.org

Credit Union National Association
www.creditunion.coop

Federal Deposit Insurance Corporation (FDIC)
www.fdic.gov

Maryland Bankers Association
www.mdbankers.com

Maryland & DC Credit Union Association
www.mddccua.org

New America Foundation
www.newamerica.net

U.S. PIRG
www.uspirg.org

Emergency & Transitional Services

Traditional Financial Institutions

Clients can manage their finances, take advantage of savings programs, and avoid unnecessary fees all in one location – a local bank or credit union. These traditional financial institutions offer services like checking accounts, direct deposit, check cashing, and online banking.

An estimated 10 million Americans are considered “unbanked,” meaning without a checking or savings account. Under both banks and credit unions, money is covered with insurance of up to \$250,000 on deposits. So what is the difference between these institutions?



Bank	Credit Union
Client is a customer	Client is a member
Owned by Investors	Owned by members
For-profit, profits benefit investors	Non-Profit, profits benefit members
Large, easily accessible	Smaller, targets a neighborhood or group
Often lower interest rates on savings products	Often higher interest rates on savings products
Tend to have higher fees	Tend to have lower fees

Account Services

By opening a free checking account with no monthly fees or minimum balances, clients can directly deposit their payroll checks and withdraw funds as necessary. They can also deposit or cash a variety of other checks or make cash deposits.

Although most savings accounts require a minimum balance, they accrue interest; so clients can watch their money grow over time. However, if they fall below the minimum balance they may be charged a penalty.

For added convenience clients can manage their accounts, transfer funds, and set up automatic payments with the click of a button using free online banking and online bill pay.

Financial management skills are necessary to operate an account, so clients may want to develop a spending plan before committing to a financial institution.

Debit/ATM Cards

For an alternative to handling cash clients can swipe their Debit card, also called an Automatic Teller Machine (ATM) card, which withdraws funds directly from their checking account. This card can be used to purchase items, withdraw cash from the ATM, or to get cash-back after making a purchase at participating stores.

It may be in clients' best interest to stick with their own financial institution; using competitors ATMs can result in fees of up to \$4-5 a transaction, while using their host bank's ATM is usually free.

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Debit/ATM cards can be convenient and easy to manage, but there are some considerations:

- Not all merchants are timely in processing transactions, so if you run your debit card as a credit it may take days for the transaction to clear. Your account balance may not be reduced even though you spent the funds, which can result in overdrawing your account.
- In some cases, such as when reserving a hotel, merchants estimate the fees to be charged, and put a hold on your account that may not clear for days. This card-blocking may result in bounced checks or overdrawing your account.
- Be cautious when using your debit card for phone or internet purchases. Make sure the website is secure, use a private computer with up-to-date antivirus software, and clear private data after all transactions.

Overdraft Protection

If clients swipe their debit card or write a check for more money than they have available in their account, they will have to pay Non-Sufficient Funds (NSF) fees. Multiple fees may apply, depending on the transactions made.

Most financial institutions provide overdraft protection as a service to consumers. Additional protection is available upon request, where funds are transferred from a client's savings account to his or her checking account in the event of overdraft; this may help to reduce some of the NSF fees owed.

ChexSystems

If a bank or credit union ever closed a client's account they may have reported the client to ChexSystems. Closed accounts can occur when clients have multiple overdrafts, bounced checks, ATM abuse, or fraud on their account. If clients are on ChexSystems it can be difficult to open a new account at another institution.

Inform clients that is possible to view their ChexSystems consumer report by visiting www.chexhelp.com or calling 1-800-428-9623. Similar to a free credit report, under the FACT act clients are entitled to one free ChexSystems report each year at their request.

Alternative Financial Services

Payday Loans

Situations may arise where clients need to make payments, avoid late fees, or keep from overdrawing their accounts. In these brief, unexpected moments they may consider payday loans. Caution clients about using such financial products because they can be extremely costly.

In Maryland there is a small-loan rate cap of 33% annually and 2.75% monthly, and fees are capped at 10% of the value of the loan. Internet providers may still charge excessive fees and interest rates over 400%! If a client purchased a payday loan that did not comply with Maryland regulations, he or she should contact the Maryland Commissioner of Financial Regulation at 1-888-784-0136.

Check Cashing

For an array of financial services, clients may visit a check casher. Not only do they cash a variety of checks, but they offer other services like remittances (money orders), pay day loans, and mailing services.

Check cashing fees are usually 1-4% of the face value of the check (e.g., 3% of \$200 is a \$6 fee) in addition to other fees. It might cost clients \$30 or more to cash checks and purchase money orders, stamps, and envelopes to pay their bills using these services.



To avoid overdrawing their account, clients should stay below their available balance and monitor all transactions made on their account.

There are pros and cons to traditional or alternative financial services. Provide your client with choices and let them decide what services are appropriate for them.



Advise clients to check fees before using convenience services such as check cashing and payday loans.