



CHECKING ACCOUNT MANAGEMENT



The MHV Guide to Managing Your Account





Whether you have a history of overdraft or non-sufficient funds charges or you just want to know how to best manage your checking account, **this guide will give you the tools and information needed to become and remain a successful checking account holder.** You will learn key components of wise checking account management, including checking account fundamentals, deposits, withdrawals, keeping your account in good standing, and protecting your account.

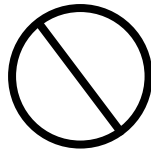
CHECKING ACCOUNT FUNDAMENTALS

Checking accounts typically come with a low or no dividend (also known as interest) rate, but you can access your money almost anywhere, and there is usually no limit to how many withdrawals you can make in a month. Most people use a checking account for day-to-day money management, such as paying for groceries and clothing, and a savings account and/or certificate of deposit for saving.



TYPES of CHECKING ACCOUNTS

Some financial institutions offer one basic checking account, while others offer a few. If you have a choice, look at the features of each account, such as the fees, minimum required balance, and services provided, and decide which one best meets your needs.



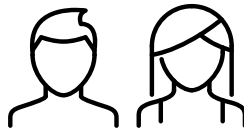
Free

A basic checking account with no fees.



Interest Bearing

A checking account that earns dividends on specified balances.



Young Adult

Some financial institutions, particularly credit unions, offer special checking accounts for young adults. These accounts typically come with a low or no minimum required balance and minimal or no fees.



Business

A business checking account is intended for people who own their own business and want a separate account to handle their business finances.



OPENING *a* CHECKING ACCOUNT

Getting a checking account is an easy process. If you have a ChexSystems report, however, it could be a challenge. ChexSystems collects information on negative checking and savings account activity and provides the information to financial institutions. Negative activity includes writing fraudulent checks or committing other acts of fraud, bouncing checks, and overdrawing your account. There is no standard for reporting to ChexSystems—some financial institutions will report a check that bounced due to a miscalculation, where others may only report cases of fraud. If you have a ChexSystems report, you can get a free copy of it once a year by visiting www.consumerdebit.com.

Some financial institutions also check your credit report when you apply for a checking account.

Unlike ChexSystems, your credit report monitors both positive and negative credit activity. Having a history of late payments or a bankruptcy, judgment, repossession, or foreclosure on your credit report can make it difficult to get a checking account. You can get a free copy of your credit report from all three credit bureaus yearly by visiting www.annualcreditreport.com.

Are you doomed to keeping your money in a shoebox if you have a ChexSystems report or negative information in your credit report? Not necessarily. If you are initially denied, talk to your financial institution about what you can do. If you have an outstanding debt, you may be able to get a checking account if you pay the debt.



DEPOSITING FUNDS *into your* ACCOUNT



In Person

You can deposit checks and cash into your account by visiting a teller at your local branch.



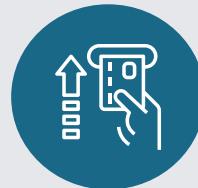
Mobile Check Deposit

Deposit your checks on the go. Simply follow the directions in your financial institution's mobile app to properly endorse and take a picture of the check(s) you wish to deposit. Be sure to check your financial institution's guidelines for any mobile check deposit restrictions.



Direct Deposit

Funds are electronically deposited into your account. This is frequently used for paychecks and government benefits such as Social Security and unemployment insurance.



ATMs

Many ATMs accept checks and allow you to deposit funds into your account.



NOTE: To enroll in direct deposit, ask your employer for a sign-up form. In addition to providing your account information on the form, you may also need to supply a voided check. To void a check, simply write the word "VOID" across it. Once the direct deposit is set up, you should monitor your account to make sure that the money is being properly deposited. If there are any problems, notify your employer immediately.



Holds on Checks

When you deposit a check, it is common for all or part of the funds to be placed on hold (unavailable for withdrawal) while the check is being processed. Even if you cash a check, a hold will often be placed on an equivalent amount of money in your account. Once the money is deducted from the check writer's account, the hold is lifted. Processing time varies, but it is usually no more than a few business days. You can refer to your financial institution's Funds Availability Policy for more information.

A hold is placed because in the event the amount of the check is greater than the funds in the check writer's account, the check may bounce. If this happens, you will not get the money from the check. In addition, your financial institution may charge you a fee. If someone gives you a check that later bounces, you should immediately contact that person and give him or her the opportunity to correct the situation – this can include paying you the amount of the bad check (you may want to insist on payment in cash) as well as any fees you are assessed.



WITHDRAWING MONEY *from your* ACCOUNT

Debit Cards



A debit card functions like a combination ATM card/check. A debit card can work at an ATM to do many banking transactions such as withdraw cash, transfer funds and check your account balance. For security reasons, when you insert your card, you must enter your PIN. You will either be given a PIN when you receive your card or have to create one before you can use it. Memorize your PIN, and do not share it with anyone or carry it in your wallet.

Many people find it more convenient to use their debit card than write a check, and, in fact, many stores today do not even accept checks. When you use your card, the cashier may ask, “Do you want to use debit or credit?” When you select the debit option, you are required to enter your PIN in a keypad. In some stores, such as supermarkets, you are also given the option of getting cash back. There may be a fee charged for this service. When you select the credit option, you are required to sign the receipt, unless the purchase amount is very small. You are also given some protections that credit cards have. For example, if the item you purchased is defective, you can ask for a chargeback (a reversal of the charge to your account). Neither option is inherently better than the other, but because of the additional protection provided, you may want to choose the credit option for larger purchases.

Keep in mind that regardless of whether you choose the credit or the debit option, a debit card does not work the same way as a credit card. When you use a credit card, you are borrowing money from the financial institution that issued that card, and you pay it back at a later date. When you use your debit card, however, the money is immediately deducted from your checking account. If you try to spend \$100 and only have \$50 in your account, either the transaction will be denied or, if approved, your account will become overdrawn and you may be charged a fee.





Checks



Even if you use your debit card for most transactions, you probably will write checks at least once in a while. It is important to fill out the check correctly if you want to avoid having it returned to you. Always use a pen – this prevents someone from erasing what you wrote and writing in something different. In the upper right corner, fill in the date that you are writing the check. In the “Pay to the Order of” line, write the name of the person you are writing the check to. In the same line, after the “\$” sign, write the amount of the check in numbers. In the line underneath, write out the amount of the check in words, and sign your name in the lower right corner. Filling out the memo line of the check is optional but recommended – most people list what they are writing the check for or, if paying a credit card or other type of bill, their account number. If you make any mistakes, write “VOID” across the check and fill out a new check.

It is easy to forget about a check once it leaves your hands. To prevent this from happening, take the time to note the following for *every* check you write:

- **Check number** (this alerts you if a check is missing in sequence)
- **Date you wrote the check**
- **Who you wrote the check to**
- **What you wrote the check for**
- **The amount of the check**

One very important difference between debit cards and checks is that when you write a check, the money is not deducted from your checking account immediately. The money is only deducted once the person you wrote the check to brings it to his or her financial institution and the check is sent to your financial institution. However, there are special types of checks that are pre-paid, namely certified and cashier's checks and money orders. These types of checks may be required when you make certain purchases.

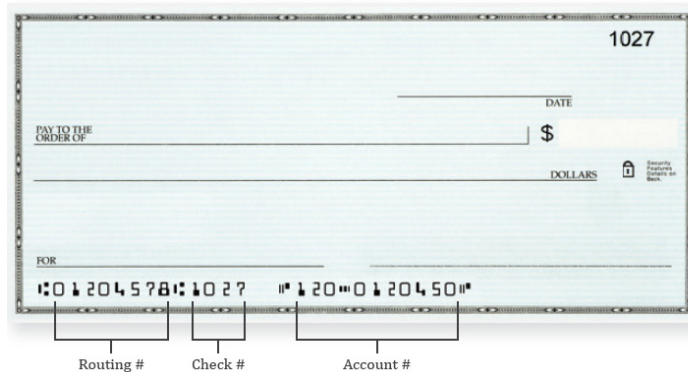
Since the money is not deducted right away, is it okay to write a check for more than amount you have in your account if you expect to deposit more money in the next day or two? **No.** This is called “floating”, and it is a dangerous practice to engage in. While in the past it commonly took several days for a check to be processed, checks today can be transmitted electronically and are processed much quicker. If the check is processed before you deposit additional funds, your check could bounce or your account could become overdrawn.

Electronic Checks



An **ELECTRONIC CHECK** (also called an EFT payment) is essentially a personal check that is written online. Many lenders, utility providers, insurance companies, and other businesses accept electronic checks. By using this method, not only are you saving yourself a trip to the post office, but you also do not need to worry about your check getting lost or delayed in the mail. When you write an electronic check, the money is immediately deducted from your checking account, just like when you use your debit card. In fact, the only real difference between using your debit card and using an electronic check is the information you are required to input.

In order to pay by electronic check, you must provide your routing number and account number. Sometimes a check number is also required. The diagram below shows where you can find this information on a check. Only submit electronic checks on secure sites and remember to save the payment confirmation page for your records.



Automatic Debit



AUTOMATIC DEBIT is the opposite of direct deposit – every month (or another set period) money is automatically withdrawn from your checking account to pay a bill. Automatic debit saves you the hassle of having to remember to pay a bill, but you still need to make sure there is enough money in the account to cover the debit. For example, if your \$1,000 mortgage payment is debited on the 5th of the month, you should have at least \$1,000 in your account by the 4th of the month. This is a fairly easy task if the monthly payment is fixed (like for a mortgage or car loan), but can be tricky for bills that vary (like credit cards and some utilities). That is why many people only use automatic debit for fixed bills.

It is a good idea to check your account the day after the scheduled debit date to ensure that it actually took place. Mistakes sometimes happen, and if the debit did not occur, you are still responsible for paying the bill.



Online Bill Pay



Many financial institutions offer the option of **ONLINE BILL PAY**. Instead of writing a paper check to pay a bill, you log into your checking account online and input the amount that you want to send to your service provider, lender, or whoever else you need to pay. Your financial institution will then either send an electronic check or print and mail a check for you. Using Online Bill Pay through your financial institution offers convenience – you can pay your bills through one website instead of having to log onto the individual websites of every service provider and lender. To set up this service, you usually just need to provide your financial institution with the information that is on your bill, such as your account number and the company's name and address.

Mobile Wallets



MOBILE WALLET stores your debit card information on your mobile device (smartphone, tablet, smartwatch, etc.), allowing you to use that instead of using your physical card to make purchases. Mobile Wallet apps include Apple Pay, Google Pay, Samsung Pay and Microsoft Wallet. These apps tokenize your card numbers rather than store them on your device, which makes payments secure. Additionally, your Touch ID fingerprint or PIN is required for payment.

Person to Person (P2P)



PERSON TO PERSON (P2P) Online personal payment services allow you to send, request and receive money directly from your bank account to anyone using their email address, mobile number or bank account information. Be sure to research any fees associated and the processing time.

PROTECTING *your* ACCOUNT

Preventing Identity Theft

In the past, a thief would look to steal the cash you were carrying or the jewelry you were wearing. However, today, many thieves are looking to steal your account information so they can take far more than the \$5 bill in your wallet. In fact, they may try to completely drain your account. This type of crime is an example of identity theft, and it has victimized millions of people.

There is no surefire way to prevent identity theft, but there are many things you can do to reduce the likelihood of it occurring:

- Only carry with you what you need. If you are not going to use your debit card or checks, leave them in a safe place at home.
- Never carry your PIN with you or write it on your debit card. Do not share your PIN with anyone.
- Report a lost or stolen check or debit card to your financial institution immediately. If unauthorized charges were made, the maximum amount you can be held liable for under the federal Electronic Fund Transfer Act is dependent on how quickly you report it: \$50 if reported within two business days, \$500 if reported within 60 days but more than two days, and unlimited liability if you wait more than 60 days.
- Never disclose your account or debit card number over the phone or online unless you know you're dealing with a reputable company.
- Cut up or shred old debit cards and statements before disposing of them.





Balancing Your Checkbook

Because identity theft can occur even if you take steps to keep your account information private, you should regularly inspect your checking account statements for unauthorized charges. It is also a good idea to check for clerical errors, such as being charged a monthly maintenance fee when your account is supposed to be free.

The traditional method used to monitor statements for accuracy is called “balancing your checkbook”. To balance your checkbook, you first need to independently record every single deposit and withdrawal that you make, including any automatic debits or credits. Then, when your statement comes, you compare your records to the statement to see if they match. Keep in mind that some differences are to be expected.

For example, if you wrote a check that has not yet been deposited, it would show in your records but not in your statement. Before you can properly compare your records to your statement, you must:

- Subtract from your statement balance any checks you wrote that are still outstanding.
- Add to your statement balance any checks that were deposited that have not yet cleared.
- Add any automatic deposits and subtract any automatic withdrawals.
- Add to your recorded balance any dividends earned on your checking account.
- Subtract from your recorded balance any charged fees, such as a monthly maintenance or NSF fee. If you believed that a fee was charged in error, report it to the financial institution.

The practice of balancing one's checkbook has somewhat lost popularity in recent years as banking habits have changed. Whereas years ago people had to wait for their monthly statements to be mailed to see what transactions were posted to their account, nowadays most people can check their account activity online whenever they want. This actually makes it easier to maintain your records.

Using a checking account properly is neither hard nor time consuming – it just takes getting into the routine of monitoring your accounts and following a few simple habits.

KEEPING *your account in* GOOD STANDING

The most basic and important aspect of checking account management is ensuring that there is enough money in your account to cover your transactions. Ultimately, keeping your account in good standing is your responsibility.

What happens if you try to use your debit card or write a check when you do not have enough money in your account? That depends on the way your account is set up:

- If you are not allowed to overdraw your account, your balance cannot go below zero. Your debit card transactions will be denied, and your checks will bounce. For each check that you bounce, you can be charged a NSF (non-sufficient funds) fee. If you frequently write bad checks, you could lose your account, and you could even be subject to legal actions.
- If you have overdraft protection, your checking account is typically linked to your savings account or a line of credit, and the amount you overdraw is automatically deducted from or charged to that account. You may be charged a fee each time you access your overdraft protection option.
- If you are allowed to overdraw your account but have no overdraft protection, your balance can go below zero, so debit card and check transactions will not be denied even if you do not have the funds in your account. However, your account may have a limit as to the amount you can be overdrawn and what types of transactions this protection will be provided for. Essentially, your financial institution is giving you a loan. Like when you bounce checks, your account could be closed if you routinely overdraw your account.

People often get stuck in a vicious cycle in which, because they have to pay back their overdrafts from the previous month, they continue to overdraw. If you find yourself in this cycle, try to reevaluate your spending habits and/or look for ways to increase your income so that you can break out of it.

The best way to prevent overdrawing or bouncing checks is to monitor your account balance. Is it necessary to check your balance every time you want to buy a \$1 pack of gum or \$3 magazine? No, but it is a good idea to do so whenever you are not sure if there is enough money in your account.



At MHV, we are committed to guiding you to discover your financial possibilities, wherever that may be. Need more advice on checking accounts? Contact us for more information.



MID-HUDSON VALLEY FEDERAL CREDIT UNION