

## **BANKING HANDOUT**

### **Facts About the Community Reinvestment Act (CRA)**

The CRA is a bill that was passed by Congress in 1977. It says that banks have to give back to the entire community in exchange for the special benefits that they receive from the government.

#### **Why Was this Bill Passed?**

Before the CRA, some banks were unfair to certain people and neighborhoods. They denied people loans because of the color of their skin and the neighborhood where they lived. They also refused to locate bank branches in many of these neighborhoods.

#### **How Does this Law Affect Me?**

Banks are now required to educate community members, regardless of income, about the products and services they have available. Banks are also prohibited from denying credit to people based on discriminatory factors, like the color of their skin or the neighborhood in which they live. They also must make an effort to locate branches in all parts of the city that they serve.

#### **How is it Enforced?**

Agencies that oversee the business of banks rate how well banks give back to their communities. When banks apply to expand or merge, the ratings are taken into account. If they don't obey the law, their applications can be denied and they can lose a lot of money. This helps banks obey the law.

#### **How Can I Find Out If My Bank Obeys this Law?**

Ask your bank for its CRA Performance Evaluation. You can also look online at [www.ffiec.gov/cracf/crarating/main.cfm](http://www.ffiec.gov/cracf/crarating/main.cfm) for your bank's CRA rating.

#### **Can I Find Out if my Credit Union is Compliant?**

Credit Unions do not fall under the CRA bill because they are membership institutions.

# BANKING HANDOUT

## Pros and Cons of Bank Products

### Checking Accounts

Checking accounts are meant to be quick, available money, not savings. That's why many don't pay much, if any, interest.

#### Pros

- Your money is only a check or ATM machine away.
- A bank branch is usually not far.
- As with all bank deposits, checking accounts are insured by the government.

#### Cons

- Depending on the bank, you may little or no interest on the money in your account.
- Many checking accounts require a minimum balance, and/or charge fees.

### Savings Accounts

Savings accounts are a compromise between a certificate of deposit and a checking account. There are no penalties for removing your money when you want to, but it isn't as easy to spend as a checking account.

#### Pros

- The money in a savings account is FDIC insured.
- Account minimums are often low or non-existent.

#### Cons

- The return on savings accounts is very low.

### Money Market Deposit Accounts

Money market *deposit accounts* are offered by banks, usually require a minimum balance, and permit a limited number of transactions (for example, six transfers, three of which can be checks written on the account).

#### Pros

- Money market deposit accounts are very easy to access. Often you can withdraw or deposit money with checks, transfers, and even ATMs.
- Since they are offered by banks, money market accounts are FDIC insured.

#### Cons

- You receive less in return than from certificates of deposit.
- If your account falls below the minimum required balance, or you exceed the limited number of transactions, you might pay a penalty.

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## Pros and Cons of Bank Products (Continued)

### Money Market Funds

Money market *funds* are offered by brokerages and mutual fund families. These funds invest in highly accessible, safe securities such as certificates of deposit, government securities, and short-term obligations issued by corporations.

#### Pros

- With a money market fund, you can have the money in your hands very quickly. Often, you can write checks or use an ATM card.
- The returns on money market funds are typically higher than the return on money market accounts.
- Issuers go to great lengths to keep your investment safe.

#### Cons

- Money market funds are not FDIC insured.
- There is no guarantee that the price of your investment will retain its value.

### Certificates of Deposit (CDs)

CDs are accounts with a specific time limit, which can be anywhere from three months to 60 months (i.e., five years). Most CDs are issued by banks.

#### Pros

- CDs are very safe since most are offered by banks and are thus FDIC insured.
- Depending on the length to maturity, CDs may pay more than money markets.

#### Cons

- Your money is off-limits until the CD matures. If you must, you can redeem the CD early, but you'll pay a penalty.

### U.S. government bills or notes

"Treasuries" are backed by the full faith and credit of the U.S. government. Treasury bills mature in less than a year; Treasury notes mature between two and 10 years.

#### Pros

- Treasuries are considered the safest investments in the world.
- They can be bought directly, commission-free, at [www.publicdebt.treas.gov/sec/secdir.htm](http://www.publicdebt.treas.gov/sec/secdir.htm).
- They are exempt from state and local taxes.

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## Pros and Cons of Bank Products (Continued)

### Cons

- If you shop around, you might get a better return from money markets, CDs, and corporate bonds. If you need your money before the security matures, you may not get back all of it.

### I Bonds

I Bonds are inflation-indexed savings bonds issued by the U.S. government. The amount an I Bond pays is adjusted to keep up with inflation and protect the purchasing power of your money.

### Pros

- I Bonds are backed by the full faith and credit of the U.S. government.
- The "I" in I Bond protects your investment against inflation risk.
- They are sold in manageable denominations, ranging from \$50 to \$10,000.
- They can be bought from most financial institutions, including [www.publicdebt.treas.gov/sec/sectrdir.htm](http://www.publicdebt.treas.gov/sec/sectrdir.htm).
- The earnings are exempt from state and local taxes, and can be tax-free if used for post-secondary education expenses.
- Taxes on earnings can be deferred for up to 30 years.
- The yield is fairly good, compared to other options.

### Cons

- You must hold an I Bond for at least six months, and you will pay a penalty of three months' earnings if you redeem the bond before owning it for five years.

*Adapted from <http://www.fool.com>*



## BANKING ACTIVITY SHEET

### How Much Does it Cost to Cash Checks and Buy Money Orders?

Living on a tight budget makes every penny count. If you do not use a bank account to cash checks and pay your bills, chances are you are spending too much for these services.

- Your weekly payroll check is \$320.00. The check casher charges you 2.5% if the check's face value to cash it (\$8.00).
  
- If you cash 50 of these checks each year, you're paying \_\_\_\_\_.
  
- You also buy money orders to pay your bills, say four a month. You pay \$1.25 for each money order.
  
- In a year, you're paying  $4 \times 12 \times \$1.25$ : \_\_\_\_\_.

Your total annual spending on financial services is

\$\_\_\_\_\_.

#### Your Alternatives

- You can open a checking account at a bank or credit union.
- You can ask your employer if the company will cash your check for you, or you can go to the bank where the employer has its account and cash your check, usually for free.
- Some grocery stores will cash your check if you shop there.
- Many banks will cash a government check for free.
- If you receive a personal check, the bank whose name is on the check may cash the check for free.

## **BANKING HANDOUT**

### **Tips On Choosing A Financial Institution That's Right For You**

- Seek out the FDIC label -- it means your deposits will be protected up to \$100,000.
- Shop around -- Compare the costs of accounts among banks in your area. Know what types of transactions you regularly make and evaluate accounts based on your needs.
- Be fee-wary -- Among them are fees for ATM usage, balance inquiries, seeing a live teller, flat monthly fees, per-check fees, overdraft protection fees, fees for going below the minimum balance, bounced check fees, fees for using another bank's ATM, placing stop payments on checks, providing canceled checks with monthly statements and even closing your account.
- Consider banking at credit unions -- Credit unions are member-owned alternatives to commercial banks. Because credit unions do not have to pay stock dividends, their fees are generally lower. Many larger credit unions have branches, ATM networks and offer all the services of a bank, though they typically offer fewer varieties of banking products. Many companies, unions, state and local governments, and communities have credit unions you may qualify to join. If one family member qualifies, generally everyone can join. Credit unions are federally insured, just as bank deposits are.

#### *Things to look for:*

Linked accounts -- Look for banks that offer a checking account linked with another account. Your savings balance, for instance, may offset your checking account balance requirement.

ATMs -- If you use ATMs frequently, look for banks with a lot of them.

Direct deposit -- Many banks will offer free or lower-cost checking with direct deposit because they save money since they don't have to process paper checks. Many employers offer direct deposit. The federal government also pays Social Security and other benefits through direct deposit.

No-frills checking options -- If you don't write many checks a month and cannot meet minimum required balances to avoid regular checking fees, look at no-frills/flat-fee accounts.

#### *Things to be aware of:*

- NOW (interest-bearing) accounts -- If you cannot maintain high minimum balances, it is best to avoid these accounts because the fees may cost you more than it's worth to earn the low interest on your balance.
- Comfort level—Do employees offer helpful suggestions? Are your questions answered quickly and accurately? Will the bank's hours and locations serve your needs?



## BANKING HANDOUT

### Choosing a Financial Institution

When looking for a financial institution, bring this checklist with you.  
Below are some questions that will help you determine which financial institution is right for you.

	Financial Institution A	Financial Institution B	Financial Institution C
<b>Name of Institution</b>			
<b>Does it offer the services I need:</b>			
Basic Checking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Savings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Credit Card	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Auto Loan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Home Mortgage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Debt Counseling	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>What are the fees and costs?</b>			
Minimum balance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Charge per check	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Monthly fee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bounced Check	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Is the Bank convenient?</b>			
To my home	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hours	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Does it have ATMs?</b>			
How many	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What network	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What are the fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Are the employees helpful?</b>			
Do they speak my language?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Friendly attitude	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are they helpful?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Other factors?</b>			

## BANKING HANDOUT

### Credit Unions In Boston

CREDIT UNION	ELIGIBILITY	HOURS/DIRECTIONS
<b>Industrial Credit Union</b>  1 Liberty Square Boston, MA  617-742-1616	<ul style="list-style-type: none"> <li>• Anyone who lives or works in metro Boston</li> <li>• \$25 to open account</li> </ul>	Nearest T Stop: State St.  8-3:30 Mon.-Thurs.
<b>Members Plus</b>  782 Adams St. Dorchester, MA  617-265-6967	<ul style="list-style-type: none"> <li>• Anyone who lives or works in Dorchester</li> <li>• \$25 to open account</li> </ul>	Nearest T Stop: Ashmont  Mon.- Wed., Fri. 10-5 Th. 9-7 Sat: 9-12
<b>South End Federal Credit Union</b>  100 W. Dedham St. Boston, MA  617-247-1673	<ul style="list-style-type: none"> <li>• Anyone who lives or works in Boston</li> </ul>	Closed Mon. and Wed. Tues. and Thurs. 12-3 Fri: 12-5
<b>Metropolitan Credit Union</b>  200 Revere Beach Parkway Chelsea, MA  617-884-7200	<ul style="list-style-type: none"> <li>• Anyone who lives or works in Essex, Middlesex, Norfolk, Plymouth, Suffolk, or Worcester Counties</li> <li>• \$25 to open account</li> </ul>	Mon.- Wed. 9-5 Thurs.- Fri: 9-6 Sat: 9-12

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### Smaller Banks in Boston

<p>Asian American Bank &amp; Trust Company 68 Harrison St. Boston, MA 02111</p> <p>617-695-2800</p>	<p>- Free checking with \$25 minimum deposit. - \$10 minimum deposit for savings: must maintain \$100 balance to avoid fees.</p>
<p>Cooperative Bank 1915 Centre St. West Roxbury, MA 02132</p> <p>617-325-9955</p>	<p>- Free checking with \$20 minimum deposit. - \$25 minimum deposit for savings: must maintain \$300 balance to avoid fees.</p>
<p>Hyde Park Savings Bank 1196 River St. Hyde Park, MA 02136</p> <p>617-361-6900</p>	<p>Rates vary: call for details, but some as low as \$10 with no minimum balance.</p>
<p>Massachusetts Cooperative Bank 1442 Dorchester Ave. Boston, MA 02122</p> <p>617-825-5560</p>	<p>Free checking account with no minimum balance. \$20 minimum deposit for savings: must maintain \$300 balance to avoid fees.</p>
<p>Peoples Federal Savings Bank 1905 Centre St. West Roxbury, MA 02132</p> <p>617-363-9555</p>	<p>Free Checking for Life account has no fees or minimum balance. FREE Passbook Savings Account has no minimum balance requirements and no monthly service charges.</p>
<p>Roxbury Highland Bank of Jamaica Plain 515 Centre St. Jamaica Plain, MA 02130</p> <p>617-524-6500</p>	<p>Call for details on checking accounts. No minimum deposit is required for savings account, although accounts with balances below \$250 are charged a \$2 service fee per month.</p>

## BANKING ACTIVITY SHEET

### Should I Have a Checking Account?

STATEMENT	ANSWER	REASON
I follow all the rules for writing out checks correctly.		
I never balance my checkbook.		
My boyfriend (or girlfriend) has one of my ATM cards. (S)he sometimes uses it without telling me.		
My paycheck (or my aid check) could be deposited automatically into a bank account.		
The check casher is just across the street.		
When I had my old account, I bounced one or two checks almost every month.		
Cash was stolen from my apartment recently.		
I am good at math.		
I buy about 10 money orders each month to pay bills, and I wire money to my parents.		
The closest bank charges \$5 a month for its basic checking account, and \$7.50 if the balance falls below \$250.		
I always have a little money put aside for emergencies, usually at least \$100.		
I have a bad credit history.		
The bank gives free money orders to anyone with an account, including savings accounts.		

## **BANKING HANDOUT**

### **Choosing a Checking Account**

When deciding on a checking account, remember financial institutions offer different types of checking accounts. To determine what you need, think about how you plan to use your checking account. The following questions will help you determine what you need in a checking account.

Convenience:

1. How many checks do you think you will write every month?
2. Do you want a bank that is close to your home or work?
3. What are the bank's hours of operation?
4. Will you use the ATM often?
5. Does the bank have ATMs close to where you live or work?
6. How often do you plan to visit the bank to use teller services?
7. What other bank services are important to you?

Cost:

1. How much money will you keep in your account?
2. Will you be charged for writing extra checks?
3. Are you willing to pay a monthly fee?
4. If so, how much?
5. Will you be charged to use your bank's ATM?
6. Will you be charged for using other banks' ATMs?
7. Will you be charged for using teller services?
8. Are there ways to avoid paying fees?

*Adapted from Check It Out FDIC Money Smart — Financial Education Curriculum Take-Home Guide*





## BANKING ACTIVITY SHEET

### Making Out Checks

You are Mrs. Brown. It is about 10:00 p.m. and after having dinner and putting the children to bed you sit down to pay the expenses. After going over the bills, you are ready to write your checks. Please write checks for the following expenses:

Credit card debt	\$50.00	Payable to Highway Robbery Credit
Gas	\$78.98	Payable to Oil & Gas

	Judith Brown 123 Flower Street Jamaica Plain, MA 02130	788	Date _____
Pay to the order of _____		\$ <input style="width: 50px;" type="text"/>	
		_____ Dollars	
Community Bank			
Memo: _____			

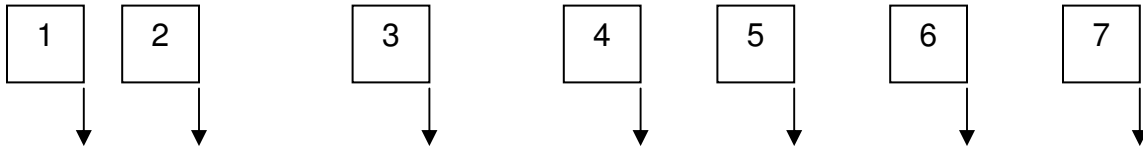
	Judith Brown 123 Flower Street Jamaica Plain, MA 02130	789	Date _____
Pay to the order of _____		\$ <input style="width: 50px;" type="text"/>	
		_____ Dollars	
Community Bank			
Memo: _____			

### Check Register

Check Number	Date	Description of Transaction	Payment/ Debit (-)	Fee	Deposit/ Credit (+)	Balance

## BANKING ACTIVITY SHEET Sample Check Register

Record each time you put money into you account, write a check, or take money out of your account.



Check Number	Date	Description of Transaction	Payment/Debit (-)	Fee	Deposit/Credit (+)	Balance

1. **Check Number:** If you are writing a check, record the check number in this column. Otherwise, leave it blank.
2. **Date:** Record the date you wrote your check, made a deposit, took money out (made a withdrawal), or were charged a service fee.
3. **Description of Transaction:** Record items such as who you wrote the check to, reason for the deposit, or the location of the withdrawal (such as ATM or debit card).
4. **Payment/Debit (-):** Record the dollar amount of checks written, ATM withdrawals, or debit card transactions.
5. **Fee:** Record any fees charges, such as a monthly maintenance fee or an ATM fee.
6. **Deposit/Credit (+):** Record any deposits or credits made to your account (such as your paycheck).
7. **Balance:** Add any deposits or credits and subtract any fees, payments or other debits to your account.

## BANKING ACTIVITY SHEET Balancing Your Checkbook

A few days ago, you received your monthly bank statement. Now, with the kids in bed and the after-dinner mess cleaned up, you can reconcile your account. Below is your checkbook register and bank statement. Please fix the mistakes in the register and balance your account.

Check Numbe	Date	Description of Transaction	Payment/Debit (-)		Fee		Deposit/Credit (+)		Balance	
	1/1/00	Balance from 1999							500	00
	1/21/00	Deposit - Paycheck					350	00	850	00
457	1/21/00	Boston Gas	75	00					775	00
	1/21/00	Stop & Shop	80	00					695	00
	1/28/00	Deposit - Paycheck					350	00	1045	00
	1/28/00	Bell Atlantic	150	00					895	00
460	1/28/00	Media One	50	00					845	00
		Deposit - Tax Refund					1000	00	1845	00
	2/4/00	Deposit - Paycheck							2000	00

### Bank Statement

<b>Neighborhood Bank</b>					
Your Account		03892839593	Statement Period 01/01/2000 through 1/31/2000		
Date	Items	Withdraw	Deposit	Balance	
1/1/00	Beginning Balance			\$ 500.00	
1/21/00	Deposit		\$ 350.00	\$ 850.00	
1/25/00	Check 457	\$ 75.00		\$ 775.00	
1/26/00	Check 458	\$ 80.00		\$ 695.00	
1/28/00	Deposit		\$ 350.00	\$ 1,045.00	
1/31/00	Monthly Fee	\$ 2.00		\$ 1,043.00	

## BANKING HANDOUT

### How Interest Works

Interest is the money the bank gives you for the privilege of using your money. Compound interest is the interest you get on your interest. The amount of interest you get depends on three things:

1. The amount of money you put in the account (called the *principal*).
2. The length of time your money stays in the account (called the *term*).
3. The rate of interest offered by the bank (the *rate*, usually expressed in percent).

Try these

- If you put a \$1000 in a savings account with 2% interest and left it there for 2 years, how much interest would you get?
- What if you took the \$1000 out after one year?
- What if the interest rate was 6% for the two-year term?
- What if you started with \$2000?

You don't have to have a lot of money to benefit from the power of compound interest. Check out the examples below.

#### Saving \$1 a day

	No Interest	5% Daily Compounding
Year 1	\$365	\$374
Year 5	\$1,825	\$2,073
Year 10	\$3,650	\$4,735
Year 30	\$10,950	\$25,415

#### Saving \$5 a day

	No Interest	5% Daily Compounding
Year 1	\$1,825	\$1,871
Year 5	\$9,125	\$10,366
Year 10	\$18,250	\$23,677
Year 30	\$54,750	\$127,077

*Adapted from Pay Yourself First, FDIC Money Smart—Financial Education Curriculum Take Home Guide*

