



Paths to Banking

*A helpful handbook for
managing your money.*



Do you need *Paths to Banking*?



"Hi, I'm Penny Pincher! I'm here to help you understand the world of banking. To figure out if this booklet is for you, ask yourself the questions below."

If you **don't** have a bank account, **ask** yourself:

1. Can you cash a check without paying fees?
2. Can you pay your bills without spending extra cash on money orders?
3. If all of your money is stolen, can you replace it quickly, or at all?

If you **do** have a bank account, **ask** yourself:

1. Do you know that you're charged a fee if your balance falls below a certain amount?
2. Do you know how much you spend in ATM fees?
3. Do you know about all of the charges attached to your checking or savings account?

If you answered "No" to any of these questions, keep reading! This booklet is just for you!

Welcome to *Paths to Banking* from PathWaysPA*. In this booklet, you'll learn about the different services offered by:

- check cashing stores
- credit unions
- banks

You'll also read about the different kinds of accounts you can open and the questions to ask before you use these services.

How to use *Paths to Banking*

In this booklet, you'll learn about places and ways to manage your money. It includes:

1. Examples and definitions of important words. Definitions for words in **bold** can be found in the *Glossary of Terms* section.
2. Pros and cons of:
 - check cashing stores
 - credit unions
 - banks
 - different kinds of accounts
3. Questions to ask before opening different kinds of accounts.



Also be sure to look for Penny Pincher! Penny will give you helpful tips and advice on opening your first account. Now let's get started!

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*\*PathWaysPA serves more than 4,400 women, children and families who reside in Philadelphia, Delaware and Chester counties by keeping families together, supporting teen parents and their children, providing in-home services to prevent child abuse and assisting families in their move towards self sufficiency.*

This publication was prepared by the PathWaysPA  
Pennsylvania Family Economic Self-Sufficiency Project

Carol Goertzel  
President and CEO

Jacqueline Patterson  
Director of Self-Sufficiency Projects

Erika V. Loperbey  
Manager Self-Sufficiency Project Development

Designed and Developed by:  
Lindsay Morgia, Research and Publications Assistant  
(AmeriCorps\*VISTA)  
and  
Vernice Lloyd, Advocate for Asset Development  
(AmeriCorps\*VISTA)

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Tonya Diggs - Career Placement Coordinator,  
PathWaysPA

Stephanie Sylvain - Mentoring Supervisor, Achieving  
Independence Center, PathWaysPA

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## Places to Manage Your Money



Samantha has been working at Rainbow Day Care for two weeks. She loves her new job and is very excited about receiving her first paycheck. On her way

home, Samantha drives past three check cashing stores, one credit union and two banks. She realizes that she has a paycheck to cash but isn't sure where she can cash it. "I guess I'll just go to the check cashing store," she thinks. "They're all the same anyway, right?"

When you need to cash a check or find a place to manage your money, you have three options to choose from:

- a check cashing store
- a credit union
- a bank

Each has its share of advantages and disadvantages. The descriptions on the next few pages will help you decide which one is the best fit for you.

**What is a check cashing store?**

A **check cashing store** is a place that will cash your check or money order for a fee. These fees are paid at the same time you cash your check so you know exactly what you have to pay up front. Check cashing stores have many advantages:

- They often have many locations and are open for long hours.
- They can help you pay your utility and phone bills without a checking account.
- They offer **payday advance loans**. A payday advance loan is a short-term loan for the amount of your paycheck that you can get before your payday.

While these services are very convenient, check cashing stores do not offer checking or savings accounts, so you can't keep your money in a safe place. Also, check cashing stores can cost you a lot of money over time. The following gives you an example of how check cashing store fees can really add up!

- Check cashing stores can charge you up to 10% of the total amount you want to cash. For example, if Samantha's paycheck is \$500, she has to pay 10% of it, or \$50, to the store. She will only take home \$450.
- If Samantha needed a payday loan, she would have to pay it back and then some! Samantha could be charged up to 700% of the original amount of the loan. So if her loan was for \$500, she would have to pay back \$3500!

Does that seem worth it to you?

**What is a credit union?**

A **credit union** is a non-profit financial company that provides services to people who have something in common. Members of a credit union usually belong to the same community, profession or religious affiliation.

Joining a credit union has many benefits:

- You can cash or deposit a check for free.
- You can order your own checks for free or sometimes for a small fee.
- You can open your own checking and savings account.
- You can take out loans at lower rates than banks or check cashing stores.
- You can access your money using an **Automated Teller Machine (ATM)**.
- Credit union fees are usually lower than check cashing stores or banks.
- Most credit unions offer online banking services so you can check your balances and pay bills online.
- When you join a credit union, you are considered a member. That means you have a voice in the company.
- Credit unions are insured by the **National Credit Union Share Insurance Fund** for up to \$100,000. This means that if the credit union fails, your money is protected.

Credit unions have their downsides, too. For instance, some credit unions may not be located in your neighborhood. Also, you may or may not be eligible to join. To find out if you qualify for a particular credit union, call the Credit Union National Organization at 1-800-358-5710 or visit [www.creditunion.coop](http://www.creditunion.coop).



**What is a bank?**

A **bank** is a financial institution that offers many of the same services as a credit union:

- You can cash or deposit checks for free.
- You can order your own checks, sometimes for free and other times for a small fee.
- You can open accounts and take out loans.
- You can access your money using an ATM.
- Banks have online banking services.
- Banks are insured by the **Federal Deposit Insurance Corporation (FDIC)** for up to \$100,000.

The difference between a bank and a credit union is that credit unions do not make a profit, but banks do. Since banks make a profit, they can offer more services. But in order to make more money, banks often have higher fees and hidden costs in their accounts. Also, you are not a "member" of a bank; you are a customer. You pay for their services just like you would for any other company.

**Summary**

Think about what you want when it comes to cashing checks. Ask yourself:

- Do I want to cash checks for free?
- Do I want to open my own bank accounts?
- Do I want to have access to payday loans?
- Do I want to use my computer to bank?
- Do I want a place that is open to everyone, or do I want to have something in common with the people I bank with?

Use the chart on the next page to help you decide which of the three places will best meet your needs.

# Places

## Comparison Chart

|                     | Cash checks for free | Payday loans available | Accounts available | Open to everyone | ATM machines available | Online services | Lower fees | Accounts insured |
|---------------------|----------------------|------------------------|--------------------|------------------|------------------------|-----------------|------------|------------------|
| Check cashing store |                      | ✓                      |                    | ✓                |                        |                 |            |                  |
| Credit Union        | ✓                    |                        | ✓                  |                  | ✓                      | ✓               | ✓          | ✓                |
| Bank                | ✓                    |                        | ✓                  | ✓                | ✓                      | ✓               |            | ✓                |

## Ways to Manage Your Money



Samantha quickly realized that going to the check cashing store every two weeks was costing her a lot of money. She wanted to go to a place where she could cash her checks for free. She also wanted to start saving her money in an account. She decided to go to her local bank to ask what she needed to do to become a customer. What a mess! The banker started to talk to her about different checking accounts, interest rates, balance requirements...the list went on and on. "What do all of these things mean?" Samantha wondered. "This banking stuff may just be

When opening an account, it's easy to feel overwhelmed. This section is here to help! You'll learn about three types of accounts you can choose from:

- checking accounts
- savings accounts
- Individual Savings Account/Family Savings Account



Remember to look for Penny Pincher to give you helpful

### What is a checking account?

**Checking accounts** are accounts that are designed so that you can easily pay for everyday expenses like groceries, bills and rent. You can pay for these expenses by taking out cash from your account, writing checks or using a debit card. You can get checks and a debit card from your bank or credit union once you open a checking account.

### What should I know about opening a checking account?

Banks and credit unions have different requirements for opening up checking accounts. For instance, different banks and credit unions have different **minimum deposit requirements**. The minimum deposit requirement is the smallest amount of money you need to open an account. To find out what the minimum deposit requirement is, ask your bank or credit union before you open your account. In general, the paperwork is the same for opening a checking account.

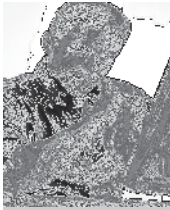
You will need:

- A Social Security card or just your Social Security number
- A photo ID, like a driver's license
- Proof of your address, such as a bill
- The minimum amount of money needed to open the account

### Checking Account Fees

You should also know that different places also have different fees that are attached to their accounts. Let's see what kind of fees Samantha may have to pay if she opens a checking account at two different places:

#### Place #1



"Well, Samantha," said Tim the banker, "our checking accounts do have fees. If your account has less than \$100, we will charge you a fee of \$20. That means if you have

\$50 in your account, we will take out \$20. That leaves you with \$30."

#### Place #2

"Our checking accounts also have fees," said Rebecca the banker. "If your account has less than \$100, we will charge you a fee of \$5. That means if you have \$50 in your account, we will take out \$5.

That leaves you with \$45."





### Penny Pincher's tips for opening a checking account:

- \* Ask about the minimum deposit requirement.
- \* Ask how many **withdrawals** you can make in a day. Sometimes a bank will charge you a fee for taking out money too many times in one day.
- \* Ask how much it costs to buy paper checks. Some places may allow you to get paper checks for free or they may charge you a small fee.
- \* Ask about the **minimum balance requirement**. The minimum balance requirement is the smallest amount of money the bank allows you to have in your account. Some banks will charge you a fee if your **balance** drops below that amount.
- \* Ask what happens if you take out more money than you have in your account. You may be charged an **overdraft protection fee**. This means that if you take out \$40 when you only have \$30 in your account, you may be charged a fee by your bank or credit union for taking out more than you have.
- \* Ask about all fees attached to the account!

**Once I have a checking account, how do I deposit money into it safely?**

- You can **deposit** checks for free at the credit union or bank.
- You can make check deposits using an Automated Teller Machines (ATMs).
- \*You should never deposit cash into ATM's because there is no way to verify the amount.
- If your employer offers direct deposit, you can have your paycheck deposited directly into your checking account.
- If you receive a Social Security check, you can have it deposited directly into your account.

**How do I take money out of my checking account?**

- You can go to your bank or credit union and make a withdrawal.
- You can use your debit card to withdraw cash from an ATM.
- You can use paper checks or your debit card to pay for expenses.

**What should I know about using a debit card?**

- Keep track of your account balance! If you use your debit card to buy something that costs more than what you have in your account, you can be charged an **overdraft protection fee**.
- If you use your debit card at an ATM that isn't owned by your own bank or credit union, you can be charged twice: once by the place who owns the ATM and again by your own bank or credit union! There are some ATMs that will not charge you a fee, but always try to use your own bank or credit union's ATM to protect yourself from extra charges.

### What is a savings account?

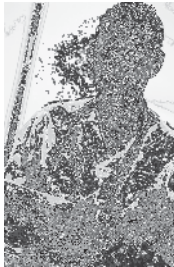
A **savings account** is used for saving money towards a goal. Some people use them to save up for a vacation or for Christmas shopping. Others use them to save for expensive purchases like a down payment on a:

- car
- house
- any other large purchase

You can also use savings accounts to create an "emergency reserve." This money can be used in case of unexpected expenses like:

- a medical emergency
- legal expenses
- loss of a job

An emergency reserve really helped Lisa, as you can see below.



Lisa worked as a nurse's aide . One day, Lisa got into a terrible car accident. She broke her leg and couldn't work for six weeks. Her friends and family were worried about Lisa being able to pay her rent

When she was asked about it, Lisa told them, "Oh, don't worry! I have some extra money put away in my savings account. I have plenty to pay my bills and rent until I go back to work."

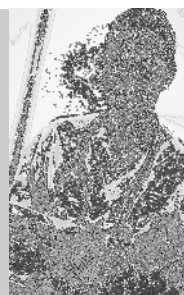


### What should I know about opening a savings account?

You should know that when you open a savings account, you'll need to bring the same paperwork needed to open a checking account (see page 12). Different places also have different minimum deposit requirements. Remember to ask how much money you need to open the account.

You should also know that different banks also offer different **interest rates** on their savings accounts. An interest rate is a percentage of money you can earn on top of the money you already have in your account. Let's see how Lisa's interest rate helped her save more money for her emergency reserve.

When friends and family asked how she saved so much money in her savings account, Lisa said, "I have a great yearly interest rate. I've been putting \$100 a month in my savings account for three years now. That equals \$1200 a year or put in altogether. But, my interest rate is 4%. Since I've had my savings account for three years now, I now have a total of \$3,895!"



Lisa does have a great interest rate. Interest rates usually range from .02% to 4.5%. Shop around to find a place with a high interest rate to help you meet your financial goals faster!



### Penny Pincher's tips for opening a savings account:

- \* Ask how much money you need to open the account.
- \* Ask if there is a fee if your balance falls below the **minimum balance requirement**.
- \* Bring the same paperwork to the bank to open your savings account as you would to open a checking account.
- \* Shop around! Look for the best interest rates to help you achieve your goals faster.

### Once I have a savings account, how do I put money into it?

You can put money in your savings account the same way that you put it in your checking account:

- You can go to your credit union or bank and deposit money.
- You can make deposits using Automated Teller Machines (ATMs).

### How do I take money out of my savings account?

Like a checking account, you can:

- Go to your bank or credit union and take out money.
- Use an ATM to take out money from your savings account with a debit card.

Before you withdraw from your savings account, remember what you are saving for. Use your checking account to pay for everyday items.

**What is an Individual Development Account/Family Savings Account?**

The **Individual Development Account (IDA)** or the **Family Savings Account (FSA)** are matched savings programs run by Community Action Agencies. Usually, you deposit about \$10 a week for at least a year. The government will then match those deposits up to \$2000!

**What should I know about opening an IDA/FSA?**

- Why are you opening your account? Are you saving for a car? A house? College courses? Make sure you have clear goals.
- The matched funds are kept in a separate account. You receive those funds at the end of your savings program.
- You get to attend four financial education workshops.
- You can withdraw from the account but risk losing the matching funds.

**Where do I go to open an IDA/FSA?**

The Community Action Agency Partnership (CAAP) can help you apply for this kind of account. They will direct you to a Community Action Agency near you. For more information, contact:

The Community Action Association of Pennsylvania  
 Phone: 717-233-1075  
[www.thecaap.org](http://www.thecaap.org)

PA Dept. of Community and Economic Development  
 (DCED)  
 Phone: 1-800-379-7448  
[www.newpa.com](http://www.newpa.com)

## Getting Started

### What You Need to Bring:

- Your Social Security card or just your number
- Your photo ID
- Proof of your address, such as a utility bill
- The minimum amount of money you need to open the account

Since banks and credit unions are different, call them to ask what the minimum deposit is and what else you should bring if you want to open an account.

### Penny Pincher's New Account Checklist



"Ask your bank or credit union these questions before opening *any* kind of account!"

- \* How much money do I need to open an account?
- \* What is the smallest amount of money that I need to have in my account?
- \* What happens if I fall below that amount?
- \* Is there an overdraft protection fee?
- \* How much is the overdraft protection fee and how does it work?
- \* What are the other fees attached to the account?
- \* Is there interest on this account? If so, what is the interest rate?
- \* Are online banking services available?
- \* Where are the branches located and what are the hours?

### A New Start: *Get Checking*

So maybe you've read this entire booklet but still have questions. Maybe you've had problems managing a bank account in the past and don't think you'll ever be able to open an account again. Don't worry! *Get Checking* is just the program for you.

*Get Checking* is a national financial education program that can help you open and maintain checking accounts, even if you've had problems in the past. Here are some perks of the *Get Checking* program:

- The educational course gives you the knowledge and skills you need to manage your money.
- At the end of the course, you'll receive a certificate that you can bring to any participating bank or credit union to open your new account.

*Get Checking* is a great program for those who are opening their first account or for those who have had trouble with banking in the past. For more information, call *Get Checking* at 1-800-428-9623 or visit their website at [www.getchecking.org](http://www.getchecking.org).



## Moving Ahead

### What is credit and why is it important?

**Credit** is the word used to describe a person's ability to pay back loans or other bills on time. It is important to build credit so you can get loans for big things you need, like a house or car. It's also important to know where to start!

### How do I start to build credit?

- Open a checking and savings account.
- Apply for a regular credit card or a department store credit card.
- If you can't get your own credit card, find someone with a good credit history and ask to be an "authorized user" on their account.
- Ask for a small loan from a bank or credit union.
- Apply for a secured credit card at a bank or credit union. When you apply for a secured credit card, you open a credit card and savings account at the same time and your credit limit is the same as the amount in your savings account. So if you put \$200 in your account, you will have a \$200 credit limit on your card.

### How do I know if I have good credit?

To find out if you have good credit, get a copy of your credit report and credit score. You can get one free copy every year by visiting [www.annualcreditreport.com](http://www.annualcreditreport.com) or by calling 1-877-322-8228. You can also get a copy from each of the three credit reporting agencies:

- Experian: 1-888-397-3742 or [www.experian.com](http://www.experian.com)
- Equifax: 1-800-685-1111 or [www.equifax.com](http://www.equifax.com)
- Transunion: 1-877-322-8228 or [www.transunion.com](http://www.transunion.com)

**What's a credit score?**

A credit score is a number that shows how good your credit is. Your credit score can be found on your credit report. Ask the credit agency to include your score in your report. Sometimes they charge a fee for this service.

Credit scores range from 400-850. A good credit score is about 700 or above. If your score is in this range, you will get the best rates when applying for loans.

**How do I keep up good credit?**

- Write down how much you make a month and subtract every penny you spend. Are you spending too much on things like fast food? Save this money to pay your debts.
- Always read your credit card and bank statements. If you think there's been a mistake, call to get it investigated.
- Make your payments on time and pay more than the minimum balance.
- Don't go over your credit limit.
- Have a savings account so that if you run into trouble, you'll have money available to pay your bills.
- If you fall behind on payments, call your creditors. Creditors are willing to work with you to set up a payment plan.

**What if I'm in credit trouble?**

If you are having trouble paying bills maintaining your income, call the Consumer Credit Counseling Service at 1-800-388-2227 or visit them online at [www.nfcc.org](http://www.nfcc.org).

## **Glossary of Terms**

**Automated Teller Machine (ATM):** a machine that allows you to take money out of your account and make deposits without going to your bank or credit union.

**Balance:** the amount of money you have in your account at any given time.

**Bank:** a financial institution that makes a profit and offers services like checking and savings accounts.

**Check cashing store:** a place that will cash your check or money order for a fee.

**Checking account:** an account you use to pay for everyday expenses.

**Credit:** the word used to describe a person's ability to pay back loans or other bills on time.

**Credit union:** a non-profit financial company that provides banking services to its members. Members have something in common, like a profession or religious affiliation.

**Deposit:** the word used to describe putting money into your account.

**Family Savings Account (FSA):** a matched savings program for low or moderate income persons or families.



**Federal Deposit Insurance Corporation (FDIC):** an insurance company that protects your money, up to \$100,000. The FDIC insures banks only.

**Individual Development Account (IDA):**  
see Family Savings Account.

**Interest rate:** a percentage of money you can earn on top of the money you already have in your account.

**Minimum balance requirement:** the smallest amount of money you can have in your account.

**Minimum deposit requirement:** the smallest amount of money needed to open an account.

**National Credit Union Share Insurance Fund:** an insurance company that protects your money up to \$100,000. This insurance fund protects money in credit unions only.

**Overdraft protection fee:** a fee that a bank charges you when you spend more money than you have available in your account.

**Payday advance loans:** a loan given out by a check cashing store for the same amount as your paycheck.

**Savings account:** an account that earns interest. People use savings accounts to save for large purchases or to build an emergency reserve.

**Withdrawal:** the word used to describe taking money out of your account.

## **Resources and Services**

Congratulations! You have all the information you need to help you select a financial institution and decide what kind of accounts you want to open. The following list provides information to help you open new accounts as well as get help with any issues you may have. Happy banking!

### **Credit Counseling Services**

If you have bad credit and need help getting yourself back on track, call the Consumer Credit Counseling Service at 1-800-388-2227. You can also visit them on the web at [www.nfcc.org](http://www.nfcc.org).

### **Credit Unions**

To find out if you are eligible for a credit union and to find a credit union in your neighborhood, contact the Credit Union National Organization at 1-800-358-5710 or visit their website [www.creditunion.coop](http://www.creditunion.coop).

### **Family Savings Accounts/Individual Development Accounts**

The Department of Community and Economic Development can also help you find an organization where you can enroll in an IDA/FSA program. You can call them at 1-866-GO-NEWPA (1-866-466-3972) or visit them on the web at [www.newpa.com](http://www.newpa.com).

You can also call your local Community Action Agency to help you apply for an IDA/FSA account. To find a participating Community Action Agency in your county, contact the Community Action Association of Pennsylvania at 1-717-233-1075 or visit them on the web at [www.thecaap.org](http://www.thecaap.org).

### Financial Education

The Pennsylvania Office of Financial Education helps schools, employers and communities develop financial education programs. Their website can help you find information on different financial topics such as banking, credit, insurance and taxes. Visit the Office of Financial Education's website at [www.moneysbestfriend.com](http://www.moneysbestfriend.com).

America Saves provides free services to help people learn how to save money. The purpose of the program is to teach people how to develop a savings plan. If you choose to join the program, you will be asked to develop a savings goal, choose an account and make a savings deposit each month. To help you along the way, America Saves offers one-on-one savings counseling as well as informational and motivational workshops on financial planning. For more information, visit [www.americasaves.org](http://www.americasaves.org).

See the PathWaysPA's Financial Resource Guide to locate additional information, programs and services for women, children, and families.

PathWaysPA  
Phone: 1-800-209-2914  
to receive a copy of any resource publication

Or visit us on the web at  
[www.PathWaysPA.org](http://www.PathWaysPA.org)



**Corporate Offices**  
**310 Amosland Rd., Holmes, PA 19043**  
**610-543-5022**  
**web address: [www.pathwayspa.org](http://www.pathwayspa.org)**