

Student Take-Home Guide

# *Money Smart*

Credit Unions:  
Here to Serve You



NATIONAL ASSOCIATION OF FEDERAL CREDIT UNIONS

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# Money Smart

The *Money Smart* curriculum is brought to you by the National Association of Federal Credit Unions. Money Smart is adapted from a curriculum developed by the Federal Deposit Insurance Corporation (FDIC). This *Money Smart* Program includes the following courses:

- **Credit Unions: Here To Serve You**  
an introduction to financial services
  
- **Borrowing Basics**  
an introduction to credit
  
- **Pay Yourself First**  
why you should save, save, save

# Credit Unions: Here To Serve You

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Welcome to *Credit Unions: Here To Serve You!*

By taking this course, you are making an important first step to building a better financial future for yourself and your family. It all starts with understanding the basics of personal finances. This course introduces the basics of financial institutions – from the different types of financial institutions to the services they might offer. When you have completed this course, you will be able to begin using the services of a credit union or other financial institution.

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# Frequently Asked Questions

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## What is a financial institution?

A financial institution is a business that offers you a place to keep your money and uses it to make more money. Credit unions, banks, and thrifts are types of financial institutions.

## What is a credit union?

A credit union is a nonprofit financial institution that is owned by people who have something in common, such as the same employer, place of worship, association, or community. You have to become a member of the credit union to keep your money there. Like banks, credit unions provide a broad range of financial services.

## Why should you keep your money in a financial institution?

Reasons why you should keep your money in a financial institution include:

- Safety - Money is safe from theft, loss and fires.
- Convenience - You can get money quickly and easily.
- Cost - Using a financial institution is probably cheaper than using other businesses to cash your check.
- Security - The basic federally insured amount of a member of a credit union or customer of a bank is \$100,000. The financial institution must be federally insured in order for your money to be protected by the U.S. government. This means that if for some reason the institution closes and cannot give its members or customers the money they had in the institution, the National Credit Union Administration (NCUA) or the Federal Deposit Insurance Corporation (FDIC) will return the money to the member or customer.

You can tell if the credit union is insured by the U.S. Government by the NCUA logo. Similarly, FDIC-insured banks have the FDIC logo.

- Financial Future – Building a relationship with a financial institution will establish a record of paying bills, can help you save money, and is necessary for getting a loan.

## Choosing an Account

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When looking for an account, take this checklist with you. The questions below can help you choose an account that is right for you.

	<b>Credit Union A</b>	<b>Bank B</b>	<b>Bank C</b>
Type of account			
How much money do I need to open the account?			
How much do I have to keep in my account to avoid fees?			
What are the fees for bounced checks?			
How many checks can I write before extra fees are charged?			
How many withdrawals can I make each month?			
Does this account pay interest?			
Does an ATM or debit card come with this account?			
Will I be charged to use the ATM or debit card here?			
Will I be charged to use the ATM or debit card at another institution?			
Are there any other fees?			

# Choosing a Financial Institution

	<b>Credit Union A</b>	<b>Bank B</b>	<b>Bank C</b>
Name of institution			
Does it offer the services I need?			
Is it close to home?			
Does it have reasonable hours?			
Does it have ATMs? If so, are they located near where I live, work, or shop?			
If I am choosing a credit union, am I eligible?			
Do any employees speak my language?			
What, if any, fees will be charged?			
Is this institution insured?			

# **Glossary**

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## **Account Verification**

Before opening an account, a financial institution may want to review your checking account history through companies such as TeleCheck or ChexSystems. Some financial institutions will run a full credit report to determine the level of risk. The account information is collected from financial institutions. If you have a history of bouncing checks or misusing your accounts, a financial institution may not open an account for you. In addition, if you apply for membership at a credit union, you will have to show that you are eligible to join.

## **Automated Teller Machine (ATM)**

This is a computer housed in a kiosk where you can deposit, withdraw, or transfer money from one account to another 24 hours a day. Use of an ATM requires a card issued by the credit union or bank and a personal identification number (PIN). A PIN is a special password or set of numbers to use your debit or ATM card. The PIN is used for security purposes, so no one else can access your account.

You can use the ATM for many services, but there might be a fee involved. Most people use an ATM to get cash from their account. If you use another bank's ATM, you might be charged an additional fee. Generally, you can only make deposits at your financial institution's ATM.

## **Balance**

Balance is the amount of money you have in your bank account.

## **Bank**

A bank is a business that offers you a place to keep your money and uses it to make more money through interest changes and fees. Banks offer you different services for keeping your money.

## **Branch Manager**

A branch manager is the person who supervises the daily operations at a specific branch location and helps fix problems that cannot be solved by other branch employees.

## **Checking Account**

A checking account is an account that lets you write checks to pay bills or to buy goods. It is sometimes called a share draft account at a credit union. The financial institution takes the money from your account and pays it to the person named on the check. The financial institution sends you a monthly record of the deposits made and the checks written.

## **Credit Union**

A nonprofit financial institution owned by its members. Credit unions typically offer similar services as banks but often at better rates and with lower fees. To belong to a credit union, you must meet the requirements of its field of membership, which can be based on your employer, the industry or profession you work in, your membership in an association, or the community in which you live, work, or worship.

## **Debit Card**

A debit card is a plastic card sometimes called a “Check Card.” The debit card has a MasterCard or Visa logo and a magnetic strip on the back that allows you to pay for goods and services at stores and other businesses that accept MasterCard or Visa credit cards. When you use a debit card, the money comes out of your account immediately.

The credit union or bank might give you a debit card that also functions as an ATM card. With a debit card, you can make deposits to or withdrawals from your checking account at ATMs or make purchases at some stores using a debit card reader, also known as a point of sale terminal. Some debit card uses might require a PIN if you use the card as an ATM card.

## **Deposit Products**

Deposit products are bank accounts that allow you to add money to the account. Checking and savings accounts are two examples of deposit products. These are called share products at a credit union.

## **Deposit**

A deposit is money you add to your account. When you add money to your account, you must fill out a deposit slip. A deposit slip tells the credit union or bank how much money you are adding to your account. Depending on what you deposit – cash, a payroll check, or a check drawn on an out-of-state institution, you may not have immediate use of the funds. The credit union or bank must first make sure there are funds at the originating institution’s account to cover your check. You can ask the teller when you can use the money you deposited.

## **Direct Deposit**

Direct deposit is one method your employer or a government agency might choose to give you your paycheck or benefit check. With direct deposit, your paycheck or benefit check is electronically transferred and directly deposited into your account. Some credit unions will not charge monthly fees if direct deposit is used.

## **Dividends**

As distinguished from interest on a bank account, this is the money a credit union returns to its members on their investment in the credit union. Because credit union members are owners of their credit union, member share accounts are considered investments in the credit union. Therefore, members receive dividends on their accounts.

## **Fees**

Financial institutions charge different fees for different services. For example, a monthly maintenance fee might be charged for keeping your account open. In addition, you might also be charged a penalty fee if you misuse your account, such as by bouncing a check.

Example:

One of the participants in an earlier class used a check-cashing store to cash her checks. She cashed four checks a month and was charged \$5 each time. That means she paid \$20 a month (4 x \$5) or \$240 a year (\$20 x 12 months) just to cash her checks.

In comparison, another participant had an account at a bank that charged a monthly fee of \$5, which included 8 free checks per month and free use of the ATM. Additionally, ordering a box of 100 checks cost her about \$18, since she purchased the checks through the bank.

In this case, using a checking account for one year cost her \$78 ( $\$5 \times 12 \text{ months} = \$60 + \$18 = \$78$ ). In one year, she saved \$162 ( $\$240 - \$78$ ) by using a checking account instead of a check-cashing store.

## **Interest**

Interest is any money paid to your account by a bank for the use of your money on deposit. Interest received from a bank account is similar to dividends earned from a credit union account.

## **Loan Officer**

The loan officer is the person who takes applications for loans. The officer can answer your questions, provide written information explaining loan products, and help you fill out a loan application.

## **Loans**

A loan is money you borrow from a financial institution with a written promise to pay it back later. The institution charges you fees and interest. This is extra money you pay to borrow the money. You can talk to a loan officer or member service representative for more information about loans offered at a credit union.

## **Member Service Representative or New Account Officer**

The member service representative is the person at a credit union who can help you open your account. The representative explains services, answers general questions, refers you to a person who can help you, and provides written information explaining the credit union products. At a bank, this person is called the customer service representative.

## **Money Order**

A money order is similar to a check. It is used to pay bills or make purchases in cases where cash is not accepted. Many businesses sell money orders for a fee. U.S. Post Offices also sell money orders. If you need to use a money order, it is best to shop around for the best price.

## **Nondeposit Products**

Many financial institutions also offer nondeposit products that are not insured by the U.S. Government. Stocks, bonds, and mutual funds are examples of nondeposit investment products. Issuing institutions must provide a written explanation stating that these products are not insured by the U.S. Government and that they may lose value. You can inquire at your financial institution as to whether they offer nondeposit products.

## **Savings Account**

A savings account is an account that earns dividends at a credit union, or interest at a bank. At a credit union, a savings account is sometimes called a share account. You can open a savings account with a few dollars, but some institutions may charge a monthly fee if your balance is below a certain amount.

## **Share Products**

Share products are credit union accounts that allow you to add money to the account. They are called share products because, unlike at a bank, a member's shares in these accounts represent the member's investment in the credit union. Savings and checking accounts are two examples of share products. At a credit union, a savings account is sometimes called a share account, and a checking account is sometimes called a share draft account.

## **Telephone Banking**

A financial service which allows you to:

- Check account balances
- Transfer money between accounts

- Obtain account history, such as your most recent deposits or withdrawals
- Stop payment on a check
- Obtain information on branch hours or other information
- Report a lost, stolen, or damaged credit, debit, or ATM card

### **Teller**

The teller is the person behind the counter who takes money, answers question, cashes checks, or refers you to the person who can help you. Tellers are the main contact people when you go to a credit union or bank.

### **Thrift**

A thrift is a savings bank or savings and loan association that is similar to a bank. Thrifts were created to promote homeownership and must have a majority of their assets in housing-related loans.

### **Wire Transfer**

A wire transfer is a method of electronically transferring money from one financial institution to another.

### **Withdrawal**

A withdrawal is the process of taking money from your account. There are a number of ways that you can do this; the most common are by writing a check, using an ATM, or by giving a teller a withdrawal slip. A withdrawal slip looks similar to a deposit slip, except you are taking money out of, rather than adding money to your account.

You need to be sure you do not withdraw more money than you have in your account. If you do, your account will be overdrawn. If you write a check on an overdrawn account, you will bounce a check, and be charged a fee.

## **For Further Information**

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The National Credit Union Administration (NCUA)  
1775 Duke Street  
Alexandria, VA 22314  
703-518-6300  
[www.ncua.gov](http://www.ncua.gov)

Federal Deposit Insurance Corporation (FDIC)  
Division of Compliance and Consumer Affairs  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429  
1-877-ASK-FDIC (1-877-275-3342)  
[www.fdic.gov](http://www.fdic.gov)

# Course Evaluation – Credit Unions: Here To Serve You

Instructor: \_\_\_\_\_ Date: \_\_\_\_\_

Thank you for your participation in this course. Your responses will help us improve the training for future participants. Please circle the number that shows how much you agree with each statement. Then answer the questions at the bottom of this form. If you have any questions, please feel free to ask your instructor.

	Strongly Disagree	Disagree	Agree	Strongly Agree
1. The course was interesting and kept my attention.	1	2	3	4
2. The examples in the course were clear and helpful.	1	2	3	4
3. The activities in the course helped me understand the information.	1	2	3	4
4. The slides were clear and easy to follow.	1	2	3	4
5. The take-home materials were easy to read and useful to me.	1	2	3	4
6. The instructor presented the information clearly and understandably.	1	2	3	4
7. The information/skill taught in the course is useful to me.	1	2	3	4
8. I am confident that I can use the information/skill on my own.	1	2	3	4
9. I am satisfied with what I learned from this course.	1	2	3	4

What was the most helpful part of this course?

What was the least helpful part of this course?

Would you recommend this course to others?

Any comments or suggestions?

# What Do You Know – Credit Unions: Here To Serve You

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Instructor: \_\_\_\_\_ Date: \_\_\_\_\_

This form will allow you and the instructors to see what you know about banking basics both before and after the class. Read each statement below. Please circle the number that shows how much you agree with each statement.

	<b>Before-the Course</b>				<b>After-the-Course</b>			
	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Agree</b>	<b>Strongly Agree</b>
I know:								
1. The major types of insured financial institutions.	1	2	3	4	1	2	3	4
2. Basic banking terms.	1	2	3	4	1	2	3	4
3. The difference between financial institutions and check-cashing services.	1	2	3	4	1	2	3	4
4. Employees and their jobs.	1	2	3	4	1	2	3	4
5. The types of accounts.	1	2	3	4	1	2	3	4
6. The types of services.	1	2	3	4	1	2	3	4