1-1: How Having a Bank Account Protects Your Money

Cast List • Darryl • Terri • Alicia, 40-50 years old, white female Synopsis • Darryl and Terri introduce overall money/banking topic (in studio) • Interspersed are questions asked of people in the street; shows people do not know a lot • Alicia goes over basics in the studio Location • "the street" (various public places)	A. Types of Financial Institutions a. Banks b. Credit unions c. Thrifts d. Non-banks B. Security a. Money protected from loss, theft, fire b. Federal insurance protects against bank failure i. FDIC for bank and thrift deposit accounts ii. NCUA for credit union deposit accounts iii. Doesn't apply to non-deposit accounts like mutual funds, annuities, stocks, and bonds iv. FDIC/EDIE to calculate insurance c. These protections are not available for entities like payday lenders C. Your Rights by Law a. Truth in Savings Act (disclosures are required) i. APY b. Expedited Funds Availability Act, EFAA (access to your money required) c. Electronic Fund Transfer Act, EFTA (liability for errors and lost/stolen cards) i. You have responsibility to report d. Privacy

Theme music up

TERRI: This is the "Money Smart Podcast Network, with Terri and Darryl."

DARRYL: Actually, it's the "Money Smart Podcast Network with *Darryl* and Terri."

TERRI: *(laughing)* If you insist.

Music down

TERRI: We're bringing you this podcast series because there seems to be a lot of confusion out there about money and banking.

DARRYL: Yeah

TERRI: So we're finding out what some of your most pressing questions are, and we're asking experts who can help give us some answers and understanding.

DARRYL: Exactly. We've gotten letters from listeners just like you, people either asking questions—

TERRI: —or telling us about friends and relatives of theirs who could use some guidance.

DARRYL: And we're talking to experts who can help us all understand things like checking accounts, credit cards, and loans, so that each of us can make informed decisions about what's best for us.

TERRI: Well, at least what's best for us in terms of how to handle the money that we work really hard to earn. As far as what's best for us in general…well, some of us *(to Darryl), Darryl*, will simply never understand that bright purple socks *do not* go with everything.

DARRYL: I will never understand what you have against purple. Anyway, in terms of being Money Smart, we sent our crew—

TERRI: —we don't actually have a crew.

DARRYL: No, but we should. We sent our crew – meaning the two of us – to a busy street in the middle of the day to ask people just like you some basic questions about money. And it looks like a lot of you are just as confused about money and banking as I am.

TERRI: *(laughing)* I find that hard to believe! But there are a lot of people out there who could use some guidance.

DARRYL: Joining us is Alicia Bianca. She's someone who knows a lot about banking and money. You've been a banker for…how many years?

ALICIA: Almost 20 years. I've worked in a number of banks over the years and I've been at Second Community Bank for the last eight years. I'm a Vice President there.

TERRI: And just as important, tell us about your other work.

ALICIA: I volunteer at a couple of non-profit groups in the community and I teach Money Smart classes for them. There are lots of Money Smart financial education classes given all over the country, in different languages, for different age groups, and they're all free. You can also take Money Smart courses online—

TERRI: —and as a podcast. This podcast, in fact!

ALICIA: That's right! You can listen to the series by itself or, sometimes what I'll do is recommend students listen to specific episodes between classes.

TERRI: Is there anything else you'd like to share with our listeners about Money Smart?

ALICIA: Well, it's a financial education program created by the FDIC, which stands for the Federal Deposit Insurance Corporation, an independent federal government agency.

DARRYL: We'll be talking later on about how the FDIC helps keep the money safe that you put in a bank.

ALICIA: Yes! And I just wanted to share with your listeners how great it is they're listening to your podcasts. From experience I can tell you that Money Smart can really help people not only understand and help them feel more comfortable with handling money, but people who use the program are much more likely to adhere to a budget, get out of debt, and even start saving money. So, I really appreciate you inviting me here today.

TERRI: Well, we're thrilled to have you. Let's start by seeing what people know and don't know about money.

Sound effects: street sounds, shuffling feet, maybe a microphone knocking against something as TERRI tries to catch the attention of someone in the crowd

TERRI: *(to Respondent 1) Sir,* can you tell me what a bank is?

RESPONDENT 1: *(hesitant)* Um…I couldn't really define it. They do stuff with money….

ALICIA: Actually, that's basically it! A bank is a business. But instead of making something—

DARRYL: —like socks….

ALICIA: *(laughing)* Ok…instead of making something, like socks, they perform services. And those services all relate to money.

TERRI: *(to Respondent 1)* So you can let a bank hold your money and keep it safe for you.

ALICIA: Right. You would be making "a deposit." Keeping your money safe is a service banks provide. Borrowing money from a bank – that's "a loan" – which is another type of service the bank provides.

RESPONDENT 1: *(clearly understanding now)* Oh!

DARRYL: *(to Respondent 2) Excuse Me Sir,* can you tell me the difference between a bank…and a credit union?

RESPONDENT 2: Wow. I've *heard* of credit unions…but…I don't know.

ALICIA: Well, credit unions provide many of the same services as banks – all money-related services. The difference is while a bank provides those services to its customers in order to make money for those who own the bank, a credit union provides money-related services to its *members*.

TERRI: Members?

ALICIA: A credit union's customers are called "members." They have to share a common bond to open an account there. They might all be teachers, or they might all be employees of a specific company.

DARRYL: My Uncle Jerry does his banking at a credit union. The Professional Wood Carver's Credit Union. The members are all professional artists.

TERRI: *(to Darryl)* Oh, he does the most realistic carvings of waterfowl!

ALICIA: So, Darryl and Terri, can you find anyone who can tell us what a "thrift" is?

DARRYL: I have someone here…*(to Respondent 3)*: We're asking people questions today about money. Can you tell us what a "thrift" is?

RESPONDENT 3: Well…I know my boyfriend is "thrifty."

FRIEND OF RESPONDENT 3: *(as they move away)* No, your boyfriend's downright *cheap*.

TERRI: *(laughing)* Yeah, "thrifty" is a little different!

ALICIA: A thrift is a type of financial institution. There used to be some pretty big differences, but today the differences are much more technical than we really need to get into here. When I talk about "banks" in my Money Smart classes, I generally use it to mean banks, credit unions, *and* thrifts – in other words any federally insured financial institution.

TERRI: I have a question I'd like someone to answer. *(to Respondent 4)* Which do you think is a safer place to keep your money? In a bank or at home?

RESPONDENT 4: Well…wouldn't that depend on *where* you keep it at home?

DARRYL: I just asked the same thing of someone here. *(to Respondent 5)*?

RESPONDENT 5: Well, if I keep it at home, I always know where it is. On the other hand, if my little brother figures out where I'm hiding it, sometimes there's a $20 missing….

ALICIA: Ok, the answer is…your money is safest when you keep it in a bank.

FRIEND OF RESPONDENT 5: Couldn't you just put everything on a prepaid card?

ALICIA: Actually, I'm glad you mentioned that. Your money is *still* safest when you keep it at a bank.

DARRYL: Hold on a second, someone could say, "Of course you'd say that! You're a banker."

ALICIA: Fair enough, but I can prove it to you! When you keep your money in a federally insured bank – and again I use that to cover credit unions and thrifts, too – it gives you many more protections you just can't get when you keep your money somewhere else.

DARRYL: Ok, how?

ALICIA: Well, first, banks have to follow state and federal banking laws that protect you and your money.

DARRYL: That's good.

ALICIA: And I mentioned the FDIC before, remember?

TERRI: Sure, the Federal Deposit Insurance Corporation. It's an independent agency of the federal government.

ALICIA: Right. Well, when you have certain types of accounts at banks insured by the FDIC, if the bank can't afford to give you the money you're supposed to have in your account, the FDIC will replace it. As a matter of fact, your account is secured to at least $250,000 per depositor per insured bank. So, if the bank goes out of business and you have $5,000 in your account, FDIC will give you that $5,000. Of course, that isn't true if you keep your cash at home and there's a fire!

TERRI: Or you lose that prepaid card you just bought from a store and never registered.

DARRYL: And if the guy I just spoke to had, say, $200 in an FDIC-insured bank account, his little brother couldn't steal any of it!

ALICIA: Nope! But if someone figured out how to rob the bank…or if the bank went out of business—

DARRYL: —the FDIC would make sure he still had his $200.

ALICIA: Exactly. And again, it's whatever you have in your account that is *up to* $250,000 per depositor per insured bank.

TERRI: You said FDIC insurance covers *certain* types of accounts at *certain* types of banks.

ALICIA: Right. So, FDIC insurance – which is only available at FDIC-member banks and savings associations – covers *deposit accounts.*

DARRYL: Whoa! Let's take that one part at a time!

ALICIA: Sure. So, you'll only find FDIC-insured accounts at FDIC-member banks. Make sense?

TERRI: Yes.

ALICIA: And you'll know an FDIC-member bank—

DARRYL: —you'll see the "FDIC" logo at every teller window.

ALICIA: That's right!

DARRYL: So about FDIC insurance only covering "deposit accounts…."

ALICIA: Well, I always mention in my classes that "deposit accounts" include checking, Negotiable Order of Withdrawal accounts (also called NOW accounts), savings accounts, money market deposit accounts, and certificates of deposit (also called CDs). These are the accounts that FDIC insurance will cover—

DARRYL: —up to $250,000 per depositor per insured bank.

ALICIA: Right! Now, the types of accounts FDIC insurance won't cover—

TERRI: —even if it's an FDIC-insured bank….

ALICIA: Correct. Even if it's an FDIC-member bank, FDIC insurance will *not* cover non-deposit accounts—

DARRYL: —meaning…?

ALICIA: Non-deposit accounts mean things like mutual funds, annuities, stocks, and bonds.

DARRYL: I can see myself getting easily confused by all of this….

TERRI: *(to Darryl)* I see you getting easily confused by a lot of things!

ALICIA: *(laughing)* Well, just remember that *deposit accounts* are insured at FDIC-member banks. And to be completely sure what types of accounts are covered and if a particular bank is an FDIC member, you can look it up at www.FDIC.gov/EDIE.

DARRYL: And what about my Uncle Jerry's money that's in the Professional Wood Carver's Credit Union?

ALICIA: Well, if he keeps his money in the same type of deposit accounts at his credit union, he's covered too. It's just that credit unions are insured by a different government agency, called the National Credit Union Administration, or NCUA. The protections are pretty much the same, though.

DARRYL: So, Uncle Jerry will still have the money to buy the materials for his water fowl carvings!

TERRI: Glad to hear that! He still owes me one of a duck. *(to Alicia)* Now, Alicia, would you tell us about non-banks? Last year my nephew took his very first paycheck to a check-cashing store….

ALICIA: Oh, I'm so sorry to hear that! Some places that deal with check cashing and lending money say they're banks or make it seem like they're banks…but they're not. Some are check-cashing stores. Some are what are known as "payday lenders."

TERRI: My nephew can certainly tell you now that they don't operate under the same laws, and that they're not FDIC insured. They took a huge chunk of that paycheck of his.

ALICIA: Yeah, they can charge you much more for financial transactions.

DARRYL: Terri, he didn't ask you for advice first?

TERRI: *(laughing)* He does now!

ALICIA: Well, there are a bunch of other things that make banks safer places to keep your money than at home – whether that's under a mattress, in a safe in the basement, or in your little brother's wallet!

DARRYL: You're talking about laws?

ALICIA: Exactly.

TERRI: And these laws also give you protections that you just don't get when you go to a non-bank, like my nephew did.

ALICIA: Right. One example is something called the Truth in Savings Act.

DARRYL: What does that do?

ALICIA: Well, it requires banks to give you certain information about their checking and savings accounts. This information helps you compare the features of different accounts—

DARRYL: —so you can decide which one's best for you.

ALICIA: Right. So you can compare the fees of one account to the fees of another, as well as the balance requirements of a certain account with the balance requirements of a different account.

DARRYL: And if the account is a deposit account that gives you interest, it'll give you what's called the Annual Percentage Yield, or APY.

ALICIA: Yes! So you can easily compare the interest you'll be getting on each.

TERRI: We'll be talking about how to compare accounts in future episodes.

ALICIA: One other very important thing the Truth in Savings Act does, is it makes sure that the bank you have an account with lets you know on a regular basis what's happening with your accounts. Usually it's about once a month.

DARRYL: Ok, but one thing that's true about keeping your money at home is that you have access to it immediately.

TERRI: You're assuming that that guy's little brother hasn't taken it already!

ALICIA: Actually, that's a good point. There can be some time between when you deposit a check into your checking account and when that money is available to you. But banks are required to make the checks you deposit available to you quickly. It's part of the Expedited Funds Availability Act, or EFA. Banks have to let you know when your deposited funds will be available for withdrawal!

DARRYL: I've noticed that the time can vary.

ALICIA: Between depositing a check and when you can use the money?

DARRYL: Yeah.

ALICIA: That can depend on factors such as whether you're a new customer or you're an established customer who had an account for several months. In most cases, you'll be able to use some or all of the funds in a check you deposit within the next day or the following day. But ask your bank to be sure.

TERRI: The processing time used to be a lot longer before computers were used the way they are now.

ALICIA: That's an excellent point. So, Terri and Darryl, I have another question for you to ask. We have all kinds of electronic banking today. Even when you go into a bank to, say, make a cash deposit, there are computers keeping track of everything in the background. Then you add in ATMs—

TERRI: —Automated Teller Machines—

ALICIA: —right. ATMs, debit cards and credit cards—

TERRI: —online banking, banking by telephone—

ALICIA: —even banking by smartphone—

TERRI: —I've deposited checks with my smartphone.

ALICIA: Exactly! So my question is—

DARRYL: —Wait: What if there's a mistake?!

ALICIA: That's exactly where I was going! Computers can make mistakes, people can make mistakes….Darryl, the question I'd like you to ask someone is, if you see an error on, say, your checking account statement, who's responsible for paying it?

DARRYL: *(to Respondent 6)* Ma'am! If you saw a withdrawal of $100 on your checking account that you didn't make, who'd be responsible for paying that $100?

RESPONDENT 6: Uh…I think once a charge is there, it's your problem.

ALICIA: Terri? I have another quest—

TERRI: —I already know where you're going with this. *(to Respondent 7)* Sir! Let's say you see a charge on your credit card statement that you didn't make – maybe it says you spent $300 at an auto parts store…and you don't even own a car. Would you be responsible for paying that $300?

RESPONDENT 7: That would that depend on the type of card or the bank that issued it…*(to Friend of 7)* wouldn't it?

FRIEND OF RESPONDENT 7: No. I think no matter how much it is, the bank's always responsible. *(to Terri)* Right?

ALICIA: Well, this is another time where banking laws are designed to help you. This time it's the Electronic Funds Transfer Act. It requires banks to limit what you're responsible for when there are errors on your statement or also if your debit or ATM card is lost or stolen. You have similar protections with credit cards.

DARRYL: That's great!

ALICIA: But you need to pay attention to what's going on in your accounts – and in your wallet.

DARRYL: What do you mean?

ALICIA: Well, you need to watch for mistakes on your bank account statements. If there's an error, you have 60 days from when the statement was sent to report that to the bank. Then you won't be responsible for the error.

DARRYL: And when you say "your wallet?"

ALICIA: By that I mean, if your ATM or debit card is lost or stolen, you should notify that bank as soon as possible.

TERRI: The law says, "as soon as possible?" *(laughing)*

ALICIA: *(laughing)* It's a little more specific than that, of course! But if you notify the bank within two business days of when you discovered the problem, the most you might be responsible for is $50.

DARRYL: What if you tell them after two business days?

ALICIA: Ah! You might be responsible for paying up to $500 of the unauthorized charges or even more.

TERRI: So the lesson is, call the bank that issued your card as soon as you notice you've lost it or find another problem with your account, like an unauthorized charge!

DARRYL: So…"As soon as possible!"

TERRI: And you don't get those protections with prepaid cards, right?

ALICIA: Right. Only ATM cards, debit cards, and credit cards.

DARRYL: Good to know.

ALICIA: There's one more law that makes having a bank account a great and very safe option as a place to keep your money.

DARRYL: And what is it?

ALICIA: Well, this is a little different from the kinds of things we've been talking about, but it's important: there are banking laws that help protect your privacy.

TERRI: In what ways?

ALICIA: Financial information is very personal, isn't it?

DARRYL: Definitely!

TERRI: *(overlapping)* That's for sure.

ALICIA: Banks are required to protect your financial information. Not only that, they're required to give you information about that and any updates. You'll get one when you open the account and then at least one every year after that.

TERRI: If you go to the Money Smart Podcast Network online, you'll find more information on privacy notices.

DARRYL: Well, I think that gives our listeners a really good start to the series.

TERRI: Me, too! I think you made the case for why federally insured banks are really the best place for people to keep their money.

ALICIA: Well, I'm happy to help.

Theme music up

TERRI: This has been the "Money Smart Podcast Network, with Terri and Darryl."

DARRYL: *(whispers) Darryl* and Terri.

Music fades