

Money for Life

March 2007

Dear Readers,

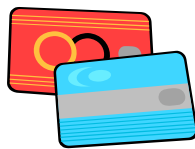
To err is human...and sometimes it can be expensive. That's the case for many consumers who have to pay fees and penalties because of mistakes they've made when using their checking account, debit card or other financial services.

The FDIC wants to help you make smarter decisions and avoid some of these mistakes. This month's newsletter includes some of the more common and costly slip-ups. Follow these tips to enjoy a more satisfying financial relationship and keep more of your cash.

Check up on your checking account

Many people write checks and use their debit card without paying attention to their account balance. The results can be costly and may include fees from \$20 to \$35 for each "bounced" check you write when you don't have enough money in your account. Similar fees can be imposed if you overdraw your account using your debit card at the ATM. There may also be fees if your checking account goes below a required minimum balance. Your lack of attention could make a bad situation worse if fees are assessed for several days or even months. And, if you fail to spot fraudulent transactions, fixing those can be costly and time consuming.

Be aware that if bounced checks are not repaid in a timely fashion they may become part of your record. That could make it difficult to get a



merchant to accept your checks. And if your account is closed because of repeated problems with insufficient funds that you do not repay, you may have difficulty opening a new account elsewhere.

Avoid Unnecessary Costs



Keep your check register up to date. Deduct for all withdrawals — not only for checks but also for ATM transactions, fees and debit card purchases. Do not rely on your ATM receipt for balance information because it may not reflect outstanding checks or debit card transactions.

Monitor your accounts. Open and review your monthly statement as soon as it arrives in the mail to check for errors or unauthorized transactions. Consider reviewing your account activity online or by phone instead of waiting for statements to arrive in the mail. Look for what can — or did — trigger fees and penalties, so you can avoid unnecessary costs in the future. Contact your financial institution immediately if there's a problem.

Keep good records. Save copies of account descriptions, contracts and important receipts, which can come in handy if there's a question or a dispute.

Take additional precautions to avoid fees for insufficient funds. For instance, make sure you have enough money in your account before you write a big check, use your debit card or arrange for an

automatic payment. Under federal rules that allow financial institutions to put a temporary "hold" on certain deposits, you may have to wait from one to five business days (in most situations) before you can withdraw funds deposited into your account, and longer in other circumstances (such as deposits over \$5,000 or if your account has been repeatedly overdrawn).

Finally, consider other options for avoiding the costs of overdrafts as explained in the interagency brochure "Protecting Yourself from Overdraft and Bounced-Check Fees" (www.federalreserve.gov/pubs/bounce/default.htm).

Consider Fees

Comparison shop for the best deal that fits your needs. Look at different types of accounts offered by your bank and a few competitors, and be sure to factor in the fees you're most likely to incur.

Read all the disclosures, from the highlighted details to the fine print. Before you open the account, know the features, fees and limitations so you can prevent misunderstandings and costly mistakes.

A high interest rate or Annual Percentage Yield (APY) on a checking account is definitely an attention grabber. But that great rate shouldn't divert your attention from fees that can significantly reduce, if not wipe out, your earnings. Examples include monthly fees for going below a minimum balance, monthly or quarterly "inactivity" fees if you've had no deposits or withdrawals for a certain time period, and annual service charges on Individual Retirement Accounts (IRAs).

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To get the best deal possible, first think about how you plan to use the account and how much you expect to keep on deposit; then compare different accounts at a few different institutions. Do the math as best you can, figuring your interest earnings after a year and then subtract the estimated fees for services or a low balance based on your expected use of the account. Sometimes an account that pays no interest can be a better deal than an interest-bearing account that's heavy with fees you are likely to pay.

Just because an account is advertised as "free" or "no cost" doesn't mean you'll pay nothing. Under Federal Reserve Board rules, an account may be described as free even if certain fees are charged, such as for ATM withdrawals or overdrafts.

FDIC Assistance

See consumer information on the FDIC Web site at www.fdic.gov/quicklinks/consumers.html

Read the quarterly newsletter *FDIC Consumer News*. Find back issues online at www.fdic.gov/consumers/consumer/news and sign up for a free e-mail subscription service.

Get answers to questions by phone (toll-free 1-877-ASK-FDIC or 1-877-275-3342).

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