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Services You Can Bank On

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Modern commercial banks offer more than a place to keep checking or savings accounts. Services include personal, business and installment loans, as well as student loans and mortgages. Electronic funds transfer and interest-paying checking accounts are common. A broad range of savings vehicles is offered, including Individual Retirement Accounts and Keoghs.

Banks have safety deposit box facilities and provide money orders, certified checks, cashier's checks, bank drafts, traveler's checks and credit cards.

Some banks have trust departments which provide for the management of trusts and estates. Services of trust departments also include planning and settling estates and investing funds.

Banks sell government bonds and will cash them for properly identified persons. Many banks also provide bill consolidation loans and credit counseling.

Federal Deposit Insurance is the customer's protection against bank failure. All national banks and most state banks carry this protection to insure savings, checking and retirement accounts up to $100,000.
Checking Accounts

Traditionally, checking accounts have been a method of paying bills which eliminated keeping cash around your home or business. Checks are sent safely through the mail, and they provide an instant draw on your ready money. A cancelled check is proof of payment, while your check record gives you a running tabulation of expenses.

Checking accounts may be opened by an individual, two or more persons, a business concern, a club or organization, an executor, trustee or guardian. All persons who will sign the checks must sign a signature card. Checks should always be signed in the same way the signature card is signed.

Almost all Inciana banks use machines to sort checks. Machines sort and identify checks by the magnetic numbers on the bottom of your checks. These numbers represent the state, the name of bank and branch, and your account number. The number at the top right is the bank identification number. Because signatures are not inspected as closely as in the days of hand sorting, you should guard your checkbook as closely as you do your billfold. If the wrong person had access to your checkbook, your entire account could be wiped out.

It is also a good policy not to loan coded checks to anyone. Even if the code is marked out, the sorting machine will credit your account for the amount of the check. Only if holes are punched through your code numbers and his/her own code number is written in, can someone use one of your coded checks as his own.

Checking accounts vary in type and in cost of maintenance.

The regular account usually has a lower fee per transaction (check or deposit) and an activity charge when the balance falls below a minimum amount set by the bank. Money can usually be saved by always keeping the balance above the minimum level. For the average family
who issues a large number of checks, the regular account is often the most economical.

A minimum deposit is usually required to open a special account. Typically 15 cents is charged for each check written. If you do not write more than 12 checks per month, this kind of account will probably be the least expensive.

The NOW account (negotiable order of withdrawal) has been authorized by law allowing interest to be paid on these funds. Financial institutions have individual policies governing the details of NOW accounts. Before switching to such an account, you need to take your time and compare. Ask for details on service charges, penalty fees, and how the interest is calculated. You also need to analyze how the rules fit into your checking and saving patterns.

To benefit from a NOW account, you generally have to maintain a certain minimum balance ranging from $200 to $1,500. If the account balance gets below the required minimum, you may be charged a variety of monthly fees, including loss of interest, a flat service charge of $3 to $6 and a 15 to 35 cent fee for each check.

Another bank might charge a $5 monthly service fee if the average balance, rather than the minimum, falls below a certain amount. A rule of thumb is that your average balance runs about two and a half times your minimum balance each month. It may be easier to keep an average balance of $1,000 rather than a minimum of $500. If you cannot be sure of meeting the minimums, you will probably be better off with a regular checking account, especially if the monthly fees are low.

Clearly, institutions which charge no maintenance or per-item fees and have no minimum balance requirements are your best bargain. Some banks which do not offer low-cost checking to everyone make it available to older citizens, young professionals, certain civil servants, persons on a direct payroll deposit system, students, or other special groups. Check to see if you are included.
$ Guideline for checking accounts:

- Write plainly in ink to discourage alterations.
- Make a practice of filling out the check record before writing the check.
- Write to whom the check is being paid close to the phrase “Pay to the order of.” The payee can be a person or an organization. If the check is payable to an official, include his/her title.
- Write the amount of the check in figures close to the dollar sign. This makes it impossible for another word to be inserted to raise the amount of the check. Fill in unused space with a line. The amount in words and figures should be the same. If they are different, the amount given in words will determine the amount of the check.
- Do not sign a check unless it has been made payable to an individual or an organization. Do not sign it unless it is made out for a specific amount. If lost, incomplete checks can be used by someone else.
- Write the purpose of the check at the lower left hand corner. Filling out this memo will help you sort checks for tax purposes.
- If a mistake is made, void the check record, write a new check, and tear up the original.
- Date the check with the day of writing. Do not pre- or post-date checks. A check is valid even if written on Sunday or a holiday.

The payee must sign the check before it can be cashed or deposited. This signature, called an endorsement, is written on the back of the check.

Endorsements should be placed across the same end of the check as the phrase “Pay to the order of” appears on the right side. Always sign the name on the check exactly as it is written on the right side of the check, even if it is misspelled or incomplete. If so, then sign your name correctly under the first signature.
To be safe, do not endorse a check until it is to be cashed or deposited. The endorser assumes responsibility that the check is genuine. Once a check is endorsed, anyone is free to cash it.

There are several types of endorsements:

*Blank endorsement* is most common. Any time a person writes his or her name across the back of a check, the check can be cashed by the bearer.

*Restrictive endorsement* limits the way a check may be cashed. When mailing a check to the bank or asking someone else to make a deposit for you, endorse it by writing “Pay to the order of (your bank), For Deposit Only” and sign below that endorsement. This makes the check worthless if lost or stolen.

*Qualified endorsement* uses the words “without recourse.” This indicates the person making the endorsement is not sure the original writer has sufficient funds to cover the check. This endorsement is a statement that the endorser will assume no further responsibility for it. Most banks would hesitate to accept a check with a qualified endorsement.

Monthly bank statements and all cancelled checks can be picked up at the bank, or the bank can mail them to you. Immediately upon receipt of your statement, adjust (reconcile) your records to correspond with those of the bank.

1. Sort the checks numerically.

2. Find the sub entries for each returned check and mark the entry to show that the check was cancelled.

3. Enter statement balance here. $________

4. Total outstanding checks (unpaid by the bank and not returned with statement). Enter here. $________

5. Subtract item 4 from item 3. $________
6. Enter any bank service charge not shown on your check register but shown on the bank statement. $ 
7. Add item 6 to item 5. $ 
8. Enter any bank interest payment to you shown on the bank statement but not on your check register. $ 
9. Subtract item 8 from item 7. $ 
10. Enter here any deposit not recorded on the statement. $ 
11. Add item 10 to item 9. Amount should correspond with the balance shown in your checkbook. $ 

If the amounts do not correspond, check the figures in each step. If a bank error is found, notify the bank immediately.

After you have reconciled your account, remember to deduct bank service charges from the balance in your check register. Then add any interest received that was not previously entered in your check register.

If a check that you have written or received is lost, notify the bank at once to stop payment. After paying the fee for this service, describe the check fully, giving the date, amount, payee’s name, and check number. When you write another check to replace a lost check, give it a new number and date and write “duplicate” across its face. The bank should be notified if the lost check is found.

Other important notes concerning checking accounts:
- Notify the bank immediately if a checkbook is lost.
- Cash checks promptly.
- Use cancelled checks as receipts.
- Keep important receipts and cancelled checks at least five years.
- Notify the bank if you change your name or address.
Electronic Funds Transfer

Financial institutions are finding it increasingly expensive to process and mail billions of checks and related paper which they handle each year. They believe that cost-effective electronic funds transfer systems (EFTS) can move money electronically more quickly and at a lower cost to both the consumers and the financial institution. Even so, such financial services are not apt to replace all others in the near future. Consumers will still use checks and cash in some instances and EFTS in others, whichever is the most suitable payment vehicle.

The growing acceptance of EFTS is backed by several forces, primarily economics. For consumers who find paper-based financial services too expensive to maintain, EFT may provide a lower-cost alternative. Also in a resource-short world, financial institutions can no longer continue to build multiple full-service branch offices.

The most common form of EFT is the automated teller machine, where customers can make deposits, withdrawals and fund transfers themselves. Each EFT customer has a personal identification number (PIN) which he or she must enter into the terminal to activate transactions and to protect the consumer from unauthorized transfers of funds. Changing lifestyles make the automated teller machine popular because consumers can bank at their convenience, avoiding long lines at the teller’s window and fixed banking hours. The consumer should not write his or her PIN number on the card used to access the terminal or on other cards or papers accompanying the access card in purse, wallet or billfold.
A second popular EFT feature is direct deposit of Social Security, dividend payments, and employee paychecks. The money is transferred directly to the payee’s account, saving consumers the trouble of depositing their checks and the worry of their checks being stolen or lost in the mail.

EFT services also include:

**Debit cards.** Point-of-sale computer terminals activate financial transactions. Funds are electronically withdrawn from the buyer’s account and deposited into the seller’s account.

**Pay-by-phone.** No actual money or paper changes hands. The consumer tells the financial institution (by touch-tone key or verbally) to transfer funds from his or her account to a creditor’s account. Money can also be moved by this method from savings to checking accounts.

**Home computers.** Increased use of home computers will provide a bank-at-home system using either a phone line or cable TV to link up a remote computer with a home screen and keyboard. Such a service will provide immediate account information, checkbook reconciliation, and tax records, as well as reduce the need for paper checks.

As the consumer begins to use these new services, it is important to keep an accurate record of transactions. Remember also when paying bills that EFT transactions take place immediately. There is no "float" time as with a traditional checking account. Another important difference is that an EFT error will appear on your statement only after funds have been put into or taken out of your account. It is important to examine your statements carefully and to report errors promptly.
Other Services Provided by Banks

Bank money orders are checks purchased from the bank and made out to the person who is to receive it. They bear the name of the sender and have a detachable receipt.

Certified checks are personal checks guaranteed by the bank to be good. The bank certifies them with a special ink stamp, then sets aside the amount specified from the personal account to insure payment of the checks. A small fee may be charged for this service. If not used, a certified check should be returned to the bank, so that funds set aside can be credited back to the account.

Cashier's checks are drawn by a bank on itself, signed by the cashier or other authorized officer. These are sold to individuals wishing to make large payments when a personal check would not be accepted. A small fee may be charged for this service.

Bank drafts are the bank's checks on its own account in other banks. These are useful in transferring large sums of money. A fee is charged for this service.

Travelers checks are special checks sold by banks. They are usually accepted without question anywhere in the world and are a safe, convenient way to carry funds while traveling or for general use. At the time of purchase, you sign each check at the top. When a check is cashed, it should be signed at the bottom in the presence of the person taking the check. Travelers checks can be bought in convenient denominations of $10, $20, $50 or $100 for a small fee. If these checks are lost or stolen uncounter-signed, the money will be refunded. Directions as to what to do in case of loss and a record of the serial numbers of the checks should be kept in a different place than the checks.
Credit cards are offered by banks and other financial institutions as a convenient source of consumer credit. To obtain a credit card, the customer signs a contract with the issuer, agreeing to credit limits, service charges, and terms of repayment. A credit card allows the holder to charge merchandise in many places and aids in cashing checks when away from home.

Charges from each creditor are forwarded to the card issuer, and once a month the customer is sent an itemized statement. If this bill is paid in full in the designated number of days, usually no interest is charged. (However, some banks are charging finance charges from date of posting.) On the unpaid balance, interest is figured on a monthly basis. A growing number of banks and other card issuers charge an annual fee ($10-20) for the commitment to provide credit up to the agreed amount.

Safety deposit boxes are rented to customers to protect valuables. These boxes are kept in fireproof steel vaults. Two keys are required to open a box, the owner’s key and the bank’s key.

A safety deposit box is a good place to store deeds, adoption papers, savings and retirement bonds, passports, valuable jewelry, coin collections, armed service and birth records, mortgages and other papers or belongings of considerable value. It is not, however, a good place to put a will, as the box may be sealed upon death.

Savings accounts afford a small return on funds which you are setting aside for a large purchase or for an emergency. Most Indiana banks currently pay 5¼ percent interest on regular savings accounts.

Other savings plans offered by banks include time deposit accounts, certificates of deposit, and money market certificates. Higher interest rates are paid on these forms of savings because they require a minimum deposit and place a time restriction on withdrawal.

The required length of deposit may be as short as 90 days or as long as 13 years. The interest rate is guaranteed for the length of the certificate, but there can be a serious
$ $ $ penalty for withdrawal before maturity. Many institutions renew certificates automatically if they are not cashed on maturity.

All-savers certificates, in effect since October 1, 1981, are 12-month certificates. Interest earned is exempt from federal income taxes up to $1,000 worth of tax-free interest for people who sign single tax returns and up to $2,000 for those who file joint returns. Originally planned by Congress to be available only through the end of 1982, the plan may be extended beyond that time.

Bank loans are provided for many different purposes, including automobile loans, educational expenses, medical bills, home repair and improvements, mortgage loans, and vacations. Banks also make loans to farmers, businesses, and to federal, state and local governments.

Trust departments of banks give information on investments, wills, and estate planning. Services of trust departments include the management of living trusts and financial and investment advice. Banks also provide counsel concerning estate planning and the preparation of wills. Trust departments can also assist in the technical and legal aspects of settling an estate in accordance with state laws.

Some attorneys advise naming a bank trust department as executor of an estate rather than an individual, because the bank will always be on hand, while the individual may have moved away or died. The bank's attorneys will also be familiar with estate procedures; their knowledge may be a money saver.

Retirement programs such as Individual Retirement Accounts and Keogh accounts are designed to provide security to the individual both during working years and after employment ceases. There are also significant tax advantages. Such accounts are administered by most banks without setup charges or maintenance fees. There may, however, be penalties for early withdrawal.
Bill consolidation loans and credit counseling are sometimes provided by banks to customers who have incurred more debt than they can handle. It is important before using such services to determine interest charges or other fees which will be charged.

References


Lafayette National Bank, Lafayette, Indiana.

Purdue National Bank, Lafayette, Indiana.