

CHECKING ACCOUNTS

(note: Teacher might want to check with banks and credit unions around for checking accounts that are available for students.)

Financial institutions usually have more than one type of checking account. You must decide what best meets your needs. Checks are the most widely used means of transferring money. Nearly 90% of transactions involving money are made with checks.

When opening a checking account at a financial institution the customer enters into a contractual agreement that allows the customer to deposit money in the bank and to write checks on that account. The financial institution agrees to maintain the account, provide records, and honor checks. Checks are safe, convenient, and provide a receipt for proof of payment.

TYPES OF CHECKING ACCOUNTS:

1. MINIMUM BALANCE ACCOUNTS require the customer to maintain a certain balance, usually \$100.00. If the depositor's account balance drops below the minimum then they must pay a service charge.
2. FREE CHECKING ACCOUNTS are totally free checking accounts. There is no minimum balance requirement or service charges on these accounts. These are usually the best checking accounts for the customer. Some financial institutions offer free checking hoping to attract customers in order that they will use the other services offered by that institution (loans, savings accounts, or safe deposit boxes, etc.).
3. COST-PEA-CHECK ACCOUNTS are considered thrift accounts or minimum use accounts. The per-check fee may range from \$.20 to \$.25 per check. Generally one has to agree to maintain a minimum balance plus pay a fee for each check that is written.
4. "NOW" (NEGOTIABLE ORDER OF WITHDRAWAL ACCOUNTS) are interest-bearing accounts. A drawback of using a NOW account is that there is usually a minimum balance requirement. If the account falls below the required minimum there is a service fee. The interest rate on a NOW account is set by the financial institution. The rate is usually lower than the interest rate on savings accounts.
5. MONEY MARKET DEPOSIT ACCOUNTS ("MMDAs") pay the highest interest rate of all accounts on which checks are written. There are certain limitations to this type of account. You may only write three checks per month or three transactions per month, such as pre-authorized transfers or automatic payments. Some people use it as a form of savings.

6. SHARE DRAFT ACCOUNTS are offered by credit unions. They are similar to the NOW accounts offered by banks. However, the monthly service fee or check charges are often lower than a bank.