

ELECTRONIC BANKING

WHAT IS E-BANKING?

E-banking allows 24-hour access to move money electronically in a fast and paperless way. The electronic movement of money is made possible by electronic funds transfers (**EFTs**). EFTs utilize computer networks to transfer funds electronically (rather than by check or cash) among various depository institution accounts. E-banking allows a person to make withdrawals, deposits, and bill payments via phone, computer or through machines like an automated teller machine (ATM) or point of sale terminal (POS terminal) rather than sending cash or check via regular mail.

DEBIT CARD

A **debit card** is a plastic card which looks like a credit card, but is electronically connected to the cardholder's depository institution account for purchases. When a purchase is made, money is automatically taken from the designated account. The card provides access to the EFT system by swiping it into an ATM or POS terminal. Debit cards require using a **personal identification number** (PIN) or signature to perform transactions. A PIN or signature confirms that the user of the debit card is authorized to access the account unless, of course, the card is stolen. A way to protect a debit card from being used by an unauthorized individual is to sign the back of the card in the signature box with your signature and "see id." This will prompt the vendor to ask the individual to see picture identification and match the picture and name, with the individual making the purchase. Debit cards can also function as an ATM card. Debit cards can be used when money is not in the account, however the consequences will be determined by the consumer's choice of opting into an overdraft protection plan and how long the account has existed.

Existing accounts before August 15, 2010

The consumer will be given the opportunity from their depository institution to grant permission for their enrollment (to opt in, or agree) into a standard overdraft practice. If the consumer opts in to a depository institution's standard overdraft practice and they attempt to complete a transaction that would result in insufficient funds, the institution will cover the transaction and charge the consumer a flat rate of approximately \$20-\$30 each time the account is over drawn. If an individual chooses to not opt in (agree, or grant permission) to the standard overdraft practice then the transaction will be declined, however, the consumer will not be charged an overdraft fee.

New accounts

If a consumer opens an account on or after July 1, 2010 the bank cannot charge an overdraft fees unless the consumer opts in to standard overdraft practices. Notice will be provided to the consumer of these practices, and similar to existing account holders if they opt in to the practice they will be covered for insufficient funds by being charged a flat rate, and if the choice is made to not opt in, their transaction will be declined without being charged a fee.

New or existing account holders may opt in or out of the standard overdraft protection at anytime.

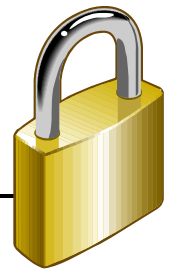
CONSUMER PROTECTION

With debit and ATM cards, consumers need to be alert to protect their financial security. A consumer's PIN number normally should not be one that reveals their birth date or social security number. Consumers should not write their PIN numbers down, and instead should memorize them. Consumers are responsible to report any unauthorized activity to their depository institution immediately. According to the Federal Trade Commission, a consumer is held liable for any unauthorized charges under the following conditions: ¹

- If timely notice is given of a loss or theft to the depository institution within two business days, the consumer is held responsible for no more than \$50.
- If the depository institution is not notified within the first two business days but is notified within the first 60 days, the consumer is held responsible for no more than \$500
- If the depository institution is notified after 60 days of the transmittal of the periodic statement, the consumer is held liable for no more than the amount of unauthorized transfers.

ATMS OR CASH MACHINES

Automated teller machines (ATMs) are electronic computer terminals which offer automated, computerized banking. ATMs allow customers to make deposits, cash withdrawals, account transfers, and check account balances. ATMs can be found in a variety of places including supermarkets, depository institutions, shopping malls, and other convenience stores. ATMs are accessed with an ATM or debit card and a PIN. Fees may be charged for ATM use, but will vary depending on the particular depository institution. Another type of electronic computer terminal is a **point-of-sale (POS) terminal**. The POS terminal is located at a store and allows the customer to use a debit card to make a purchase. A debit card's magnetic strip will be swiped through a machine by either the customer or sales associate. The customer will then select either debit or credit. If a debit is selected, then a pin number will be required to authorize the transaction. The debit card may only be processed as a credit transaction if the debit card is associated with a credit card company. Once the magnetic strip has been swiped, the customer's financial information linked to this card will be processed by the store and the purchase will be completed. If the purchase amount does not exceed \$25.00, a signature may not be required. At participating POS machines, customers may request additional cash back. Amounts vary depending upon merchant or card policies.



TYPES OF E-BANKING:

- Debit Cards
- ATMs
- Direct Deposits & Payments
- Payroll Cards
- Pay By Phone
- Check 21

BENEFITS OF E-BANKING:

- 24 hour access
- Fast
- No paper
- Variety of methods
- Convenience
- Worldwide access

DIRECT DEPOSIT & DIRECT PAYMENTS

Direct deposit allows paychecks and benefit checks to be directly deposited into a specified depository institution account (usually checking or savings). For example, the customer may sign an authorization form to allow his or her employer to automatically deposit a paycheck. **Direct payments** authorize bills to be paid by a specified depository institution account. This can be done for fixed expenses like mortgages or vehicle payments and for flexible expenses like the phone or electricity bill. Direct deposit and payments are a safe way to complete transactions. The consumer does not handle the check and he or she will know exactly when the money will either be deposited and available for use or when the vendor will receive payment for the bill. Consumers are responsible for frequently checking their account to ensure that the correct amount was withdrawn.

PAYROLL CARDS

Another option for paying employees through the electronic banking system is by utilizing **payroll cards**. Payroll cards offer an alternative to printing and mailing paycheck to employees. Payroll cards function in a similar way as debit cards. An employee's wages are transferred to the payroll card. This is often linked to a credit card company, allowing the employee to withdraw money from the ATM or use it at a POS to purchase goods and services.² Consumers must be aware that payroll cards are not linked to a depository institution account. Therefore, individuals do not receive the same benefits from depository institutions.



CHECK 21

Check Clearing for the 21st Century Act (Check 21) represents a current trend in EFT that is changing banking dramatically. Prior to Check 21, a customer would write a check to pay for a service or product, and have several days before the money would transfer from the customer's account to the service provider's account. The time between when a person writes a check to when the money is actually withdrawn is called float time. **Float time** allows a person to write a check even though there is not enough money in the account, in hopes of depositing the money before the check is processed. Because of Check 21, the check is sent electronically to the customer's depository institution and the money is withdrawn within hours of the transaction, therefore, eliminating most or all float time. Check 21 has made it possible for writing a check to be processed as quickly as using a debit card.

PAY BY PHONE SYSTEM

A **Pay by Phone System** allows the consumer to call a vendor with instructions on how to pay their bills by electronically transferring funds between accounts. The consumer may be required to have a written agreement with the institution to make transactions such as these.



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