

Module 2: Financial Capability and Access to Financial Services



Welcome! Module 2, **Financial Capability and Access to Financial Services**, introduces participants to the importance of choosing customer-friendly financial products and services based on individual needs. Items covered include what financial products and services are offered and where to find them, the basics of deposit accounts and loan services and how to avoid paying too much for services.

Objective

- Introduce participants to financial products and services.

Value of This Module

Myth: I only need a checking account because I receive Supplemental Security Income (SSI) and/or Social Security Disability Insurance (SSDI).

Reality: A checking account is a safe place to keep your money. There are ways to save money too while receiving public benefits. There are resources available to help save money; a savings account is just one of those tools.

(ABLE savings accounts are for qualified people who have a significant disability. This information will be covered in Module 9).

MODULE 2: FINANCIAL CAPABILITY AND ACCESS TO FINANCIAL SERVICES

FACILITATOR PREPARATION



Facilitator Preparation

- Prior to delivery of Module 2, the facilitator should review the following websites:
 - nationaldisabilityinstitute.org/resources/take-the-america-saves-pledge
 - econcouncil.org/programs
 - plan2achieve.org
 - bankrate.com
 - ablenrc.org
 - illinoistreasurer.gov/Individuals/ABLE
 - illinoisable.com/
 - illinoisjumpstart.org
 - illinoisattorneygeneral.gov/consumers/paydayloans.html
 - nationaldisabilityinstitute.org/wp-content/uploads/2018/11/hob-playbook-savings.pdf
 - Create a Safety Net for Life's Unexpected Events: vimeo.com/191164771
 - <https://www.consumerfinance.gov/consumer-tools/educator-tools/your-money-your-goals/>
- Review the following materials:
 - [MoneySmart Module 2: You Can Bank On It](#)
 - [FDIC Safe Account Template](#)
- Review the PowerPoint presentation for Module 2.
- Complete all activities in Module 2.
- Identify a community member who offers financial services as a guest presenter.

Gather

- Laptop and LCD projector
- Sign-in sheet
- Easel pad and easel
- Markers
- PowerPoint presentation (*Make copies* to distribute to attendees.*)
- Agenda (*Make copies if you would like to distribute to attendees.*)
- Activities (*Make copies of activity handouts.*)
- Homework assignment (*Make copies.*)
- Evaluation (*Make copies.*)

**Don't forget large print copies, in size 20 font, if requested.*

MODULE 2: FINANCIAL CAPABILITY AND ACCESS TO FINANCIAL SERVICES

PRE- AND POST-TEST EVALUATION



Location of session: _____

Date of session: _____










Trainers: _____, _____

Participant type (please check one):
 Person with a developmental disability
 Parent
 Other, please specify _____

Participant name (optional): _____

Please complete this section BEFORE the beginning of this training session.










1. How much do you know about the following topics?

	I don't know anything about this.	I know a little about this.	I know a lot about this.
a. The difference between a checking and a savings account			
b. The difference between a debit card and a prepaid card			
c. How to find out if there are any fees charged for the accounts you have (for example: checking account, savings account, prepaid card or credit card)			












The remainder of the form will be completed at the end of this training.

2. How much do you know about the following topics?

	I don't know anything about this.	I know a little about this.	I know a lot about this.
a. The difference between a checking and a savings account			
b. The difference between a debit card and a prepaid card			
c. How to find out if there are any fees charged for the accounts you have (for example: checking account, savings account, prepaid card or credit card)			

3. Please tell us how you felt about the following parts of the training.

	It was OK.	It was really good.	It was great.
a. The information that I learned			
b. The way the training was organized			
c. The activities			

What is one thing you learned today?

Based on what you learned today, what is one thing that you are going to do to take more control of your money? _____

I would recommend this training to others ___yes___no___maybe

Thank you for your feedback!

MODULE 2: FINANCIAL CAPABILITY AND ACCESS TO FINANCIAL SERVICES

AGENDA



Introduction	10 Minutes
Overview, Purpose and Expected Outcomes.....	5 Minutes
Financial Capability and Financial Education	30 Minutes
• Financial capability and financial education	
• What information do people with disabilities need to select the best financial services?	
• Rule Number One: Pay yourself first	
• Basics of deposit and loan accounts	
• What about prepaid cards?	
• Defining terms and rights under the laws	
• What is ChexSystems?	
Activity	10 Minutes
Self-Reflection	
• What influences my decision to open accounts, and what questions do I ask to make decisions?	
• How do I currently use my checking account (checks, debit cards, cash, fees)?	
• Decision-making around credit: Rent vs. own case study for furniture	
BREAK	15 Minutes
Activity	10 Minutes
Making Connections in Your Community: Guest Speakers.....	30 Minutes
Homework Assignment and Wrap-up	10 Minutes
• Sign up for America Saves	
• Complete My Trip to the Bank activity	
Evaluation and Closing	5 Minutes

MODULE 2: FINANCIAL CAPABILITY AND ACCESS TO FINANCIAL SERVICES

SCRIPT FOR TRAINER



Introduction (10 Minutes)

Script for Trainer (corresponding PowerPoint Presentation Module 2: Financial Capability and Access to Financial Services)

My name is _____. Welcome to our **Financial Wellness Training**. Today, we will focus on our own financial capability and look at the choices for financial services. We will look at our own habits and hear from a community member who offers financial services.

Before we get started, let's first review our homework from Module 1. Who would like to share their experience in creating their spending plan for the week? Has anyone shared that they are learning about money and want to learn more about managing it?

Overview, Purpose and Expected Outcomes (5 Minutes)

Script for Trainer (corresponding PowerPoint Presentation Module 2)

Let's start today by talking about some common financial services that we may use and why we need them.

Look at the list on the slide and tell me which service you use and why you need it.

Thank you for sharing with the group.

Now we are going to think about our own individual situation, banks and credit unions that you may use or may be thinking about using.

PowerPoint Presentation (30 Minutes)

Script for Trainer (corresponding PowerPoint Presentation Module 2)

Activity #1

[Distribute the worksheet: Rate Your Financial Behavior]

Keep your answers to yourself as you think through this. You can think more about this as we review the information on financial capability and hear from our speaker.

Financial Capability

So, what does financial capability mean?

Financial capability is defined as a set of consumer behaviors that lead to measurable improvements in an individual's financial wellness. For people with disabilities, there are additional steps that an individual might need to take to improve their financial wellness. The following provides a guide on how financial capability is measured for individuals with disabilities.

Financial capability is measured by whether people with disabilities ...

- Set and achieve one or more financial health goal(s);
- Access and manage public benefit and work support programs;
- Manage monthly expenses and debt;
- Manage credit appropriately;
- Select and manage financial products and services;
- Plan and save money now and for your future; and
- Increase financial knowledge and make informed decisions regarding one's financial wellness.

Today, we will discuss types of financial products and services, where financial products and services are offered, how to choose the best service and fees and charges that are affordable.

As we discussed in a previous session, money affects all parts of your life, and it is important that when you choose financial services, they are affordable and fair. The government agency that was created to make the financial markets fair for working Americans is called the Consumer Financial Protection Bureau, or CFPB.

CFPB defines financial wellness as having four parts:

- Feeling in control of your finances;
- The capacity to absorb a financial shock (unexpected expense);
- On track to meet goals; and
- Flexibility to make choices.

So, the opposite of financial wellness is being financially vulnerable, where one unexpected financial expense can make it difficult to pay for usual expenses and can impact us negatively. We are here today to learn how to manage money and savings to avoid being financially vulnerable.

How can we avoid being vulnerable?

Educate yourself on financial services. Financial services are the products and tools we use to manage our money.

Set goals for yourself, and work towards those goals.

Practice each month. What works for one person does not work for someone else. We want to help you learn how to monitor your finances as you develop your capability and encourage you to establish money management habits that you can use each month.

[Discussion: Who can give me an example of a good financial habit that you do monthly?]

Financial Services

The financial services field has grown. People are regularly offered financial services everywhere they go. Traditionally, financial services were only offered by banks and credit unions. Today, you can get financial service products at Walmart, convenience stores, the post office, grocery stores, retail stores and even online.

For our time today, we will focus on banks and credit unions. There are laws that protect the customer or consumer, and banks and credit unions are required to follow those laws. It is not to say that other financial services are bad; however, you have to be careful. We will get to examples later on.

How would you choose a financial service? Most people say that they would shop around, comparing services and prices. As we talked about in Module 1, money choices are often times emotional and the following can influence us:

- How friendly are the people?
- How easy is the service to use, or how convenient is it to where I live or work?
- How easy is the online or mobile services that are offered?
- Am I presented with too many choices that can be overwhelming, or am I presented with one or two limited choices where it is easier to make a decision?
- Are there certain default options that the product offers? Let's say, if you open a checking account, you automatically get a free savings account for 12 months. After the 12 months, fees apply. Therefore, it might be a better decision to have a savings account somewhere else after the year is over. However, because it was an automatic default option, you keep that savings account year after year instead of looking at other options. As a result, you pay unnecessary fees which can add up.

Deposit Account Basics

So let's start with what the bank or a credit union calls deposit accounts. These are accounts (checking, savings or money market) where you deposit your money into a bank or credit union account and can use the money without restriction or access it later on.

When we think about how to choose a deposit account, we want to consider our habits and needs:

- How will I use it? Do I need a national ATM network or is it ok if they only have ATMs in my city? Will I be depositing checks to the account or will I have direct deposit for my benefits or my pay? How will my checking account connect with my savings account?
- Do I need branches? Depositing checks to my accounts or depositing cash often means a trip to the branch. Are the branches convenient from where I live or work?
- Is it insured? Bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account owner. The National Credit Union Association (NCUA) insures accounts up to \$250,000 as well. Your money is insured in the event that the bank or credit union goes out of business. For example, on a prepaid card, such as a gift card, you use your money to add value to the card, but if you lose the card, you have lost your money. This is not the case when you have insurance. If you lose your ATM card, your money is protected by insurance.
- Do I need to get overdraft protection? There are many options on overdraft protection. An overdraft occurs when an item, such as a check, is presented against your deposit account and you do not have enough money in your account to cover it. The bank will then “return the item” to the presenter. This is commonly known as a “bounced check” and banks or credit unions charge for each bounced check, sometimes up to \$40 for each item. If the presenter redeposits the item and it bounces a second time, this could then be \$80 in fees for one check. There are other fees that occur as a result of an overdraft and returned item. Utility or credit card companies often add fees as well. Plus, you still owe for the original purchase. Overdraft protection means that you have set up a process with your bank that ensures that they will not return items – and this can save you money. This might include an automatic transfer from your savings account to your checking account to cover the item or a line of credit or credit card. Most overdraft plans still charge a fee for overdrafts, but there may be fewer fees with overdraft protection.

As we build our own financial capability, it is important to know how we use our accounts, as the usage determines the cost of the account. These costs can include the following:

- Transaction fees, monthly maintenance fees, minimum balance fees, ATM fees, withdrawal fees and, most recently, some banks are now charging consumers to close their accounts if they do not have them open for a minimum period of time.
- We briefly talked about the need for a savings account where you keep your money to help with future goals. If you have a checking and/or savings account or loan account, you may be able to pay lower fees because of your increased savings.
- Interest-bearing accounts, like a savings account or certificate of deposit, is an account where you agree to access your money less frequently and, to compensate you for doing this, the bank or credit union may offer you interest. The interest that is paid to you on your accounts offsets the cost of fees that you pay to the financial institution.

Several years ago, the FDIC developed guidelines for banks to offer Safe Accounts. These accounts are consumer-friendly, with minimal additional services, and are developed to meet the needs of underserved consumers.

The accounts are meant to be transparent in rates and fees, insured and protected by all federal and state consumer protection laws.

To find free or low-cost banking accounts, please visit nerdwallet.com/checking-accounts.

Activity #2

[Review the FDIC Model Safe Accounts Template.]

Savings Accounts

We have talked about checking accounts; now we want to spend a little time talking about savings accounts.

Savings accounts are used for the goals that you set for yourself. The money in your savings account is not used to pay your monthly expenses.

Examples of savings account goals might be ...

- **Emergency or contingency savings:** In case something happens, I want to be able to withstand a financial downturn. A good start is to have a \$500 contingency fund.
- **Specific goals:** Many of us buy gifts for family and friends, and saving for this throughout the year makes it easier than getting hit all at once for birthdays, graduation or holiday gifts. A savings account helps us manage those costs.
- **Longer-term goals:** You may want to save for tuition expenses, a car or a down payment on a home. A savings account helps us set aside money specifically for these goals.

Savings accounts are interest-bearing. That means that your account earns interest. For example, if your savings account has a \$500 balance, and the interest rate paid on your account is 1%, then you would receive \$5.00 in interest from the bank. At the end of the year, you would have \$505 in your account.

Savings accounts also limit the number of transactions on the account. You can make a deposit any time for a regular savings account.

The most successful savers make deposits automatically at payday. You can be charged a fee for withdrawing money from a savings account if the amount is over the limit set by the financial institution.

For those who have a savings limit due to their benefits, it is important to review savings prior to the first of the month to ensure that countable resources are under the limit from all countable resource accounts, such as a checking and/or savings account.

If there is a need to save within a protected savings account in order to maintain countable resources of less than \$2,000 for an individual (or \$3,000 for a couple), the following may be options:

- ABLE (Achieving a Better Life Experience) Account
- FSS (Family Self-Sufficiency)
- IDA (Individual Development Account)
- PASS (Plan to Achieve Self-Support)
- Homebuyer Club
- Special Needs or Pooled Trust

These options are covered in other modules within this curriculum. Information regarding protected savings options is also included in the Hands on Banking Quick Reference Guide on Saving: nationaldisabilityinstitute.org/wp-content/uploads/2018/11/hob-playbook-savings.pdf.

Generally, checks are limited on savings accounts. You may be provided with withdrawal documents that look like checks, but they can only be used to transfer money from savings to your checking account or to present to a teller for cash. You cannot write a check to a store to purchase something like you can with a check from a checking account.

Finally, debit cards may or may not be offered on savings accounts.

Consumer loans, when you borrow money from a bank, credit union or retail outlet, are governed by a number of laws that are designed to help you understand the loan you are being offered. There are laws that require that basic information/standard disclosures be shared with consumers.

On deposit accounts (checking, savings, certificates of deposits), there are NO standard disclosures, so it is up to the customer to ask specific questions. The Safe Account Template is a good guide to help you do that.

As you are shopping for a deposit account, ask questions about fees, overdraft options, processing policies and dispute resolution. Processing policies govern when your money is available to you. For example, your aunt from California sends you a check for your birthday. If you deposit the check in your account, when are the funds actually available to you? Is there a different processing policy based on the size of the deposit? If it is a \$25 check, for example, you might get immediate availability. But if it is a \$250 check, you might get partial credit today and partial credit tomorrow.

What happens if you have a dispute with the financial institution? In recent years, the account agreements, which customers sign when they open accounts, have the customer agreeing to “forced arbitration,” which means that you give up your rights to sue the organization, despite any damage to the consumer.

A national foundation, the Pew Charitable Trust, is urging the CFPB to adopt standard rules for deposit account disclosures so that customers are able to compare the banks and credit unions they are considering. Now the comparison is made more difficult because the information is embedded in a multi-page account agreement.

Disclosure Information required (consumerfinance.gov/policy-compliance/rulemaking/regulations/1030/):

- Annual percentage yield (APY)
- Interest rates
- Minimum-balance requirements
- Account-opening disclosures
- Fee schedules

Prepaid Cards

We have talked about deposit accounts at financial institutions. What are prepaid cards and how are they different?

There are important differences:

- Prepaid cards may or may not have an insured bank account behind them. Many people who have been unable to open bank/credit union accounts are now using prepaid cards.
- They may not be protected if they are lost or stolen.
- Fees can be excessive for reloading them/making a deposit of value to the card, for transferring money among accounts or for transferring money to other countries.
- Customers may be influenced by marketing, as opposed to price and use. NetSpend is the largest marketer of prepaid cards and partners with celebrities to brand their cards. Be mindful that those cards may have substantial fees to reload them and monthly maintenance fees, among other fees, with extensive and unclear disclosures.
- Again, the customer may give up their rights to sue the card issuer and have forced arbitration. Forced arbitration is where two parties sit down and come to a resolution on their dispute, limited to the circumstances of their case, even though many customers may have been harmed by the practice in dispute. Class action lawsuits, by comparison, require practice changes by the financial institution for “classes” on consumers who may be harmed.

ChexSystems

As we mentioned, customers may be using prepaid cards because they are not able to open deposit accounts at financial institutions. Why would a financial institution turn down a customer from opening an account? It is often because of information reported through ChexSystems.

ChexSystems is a database shared by a network of member institutions (banks and credit unions) that contribute information on closed checking and savings accounts.

For example, a customer may have incurred many overdraft fees and was unable to pay the bank/credit union for the fees. They regularly bounced checks. After a while, depending on each bank's policy, the financial institution closes the account so that there are no additional losses to the financial institution. They then report that consumer John Doe had an account closed at XYZ Bank on a specific date for this specific reason, with an outstanding balance of X dollars.

ChexSystems then shares this information with their members and, if John Doe goes into a ChexSystems member organization and tries to open an account, he will most likely be turned down. It is important to know that ChexSystems does not make an opening or closing decision for the bank, they only share the information among their members. Each bank/credit union makes their own decision based on their own policies.

We will talk about Credit in Module 4 and the credit reporting agencies. ChexSystems is another financial services system that provides customer information. Like credit, it is important to know what your own consumer record is in ChexSystems and to clear up any disputes as quickly as possible to maintain a clear record. When a person repays an account included in ChexSystems, they may be allowed to open a second chance account. This makes it possible for a person to show that they can follow the rules of having a checking account and, over time, would be able to use other products at the bank or credit union, too.

Consumer Loans

Before we break, we will talk about two different types of consumer loans. There are revolving loan accounts (like a credit card) and installment loan accounts (like a car payment).

Revolving loans allow you to buy goods or services today and pay it back over time, with flexibility to pay a little or to pay the entire debt. Examples are Visa, MasterCard, Discover, Target and department store cards.

On a revolving account, the consumer has a "credit limit," which is the maximum amount that they can borrow.

They also have “minimum payments,” which is the amount that they MUST repay each month. Issuers of revolving loans calculate the minimum payment in lots of different ways, so be sure that you read the fine print in the account disclosure.

Revolving accounts have an annual percentage rate (APR), though this may vary in situations like a cash advance.

Like deposit accounts, they have special fees and terms.

They may have other consumer benefits. For example, life insurance for travel charged to the card or points earned for each transaction, which can be converted into things like cash or travel.

Revolving accounts are reported to the credit reporting agencies and allow consumers to build their credit. To raise your credit score with revolving loans, keep the balance below 30% of the credit limit of your card. We will talk more about credit scores in Module 4.

Even though they may look the same, prepaid cards do not enable credit building, although some banks and credit unions do have special credit building products available. This might be something to ask about the next time you go to your bank or credit union.

It is easier to comparison shop for revolving credit than for deposit accounts. Banks and credit unions provide information on their credit cards at bankrate.com.

As we discussed earlier, unlike deposit accounts, federal law requires a standard disclosure for credit cards (named for Senator Charles Schumer of New York, who championed this law for consumers). The PowerPoint provides a real example of a very simple disclosure. Many revolving loans have much more complex disclosures than this one, with multiple fee schemes.

The other type of consumer loan that we want to cover is installment loans. These loans differ from revolving accounts. They allow you to purchase goods and services now and pay for them over a fixed period of time.

An example of an installment loan is a student loan, which is repaid over 10 to 30 years. A car purchase loan with a repayment term of five years is another example.

Installment loans have the same payment over the life of the loan, unlike revolving which can differ, based upon the amount borrowed each time and the balance.

They have a percentage rate, fees and terms and they may have additional benefits.

For example, some financial institutions may offer a free checking account for any installment loan customer.

Installment loans will build credit as longer-term installment loans, paid on time, will raise your credit score.

Installment loans can be offered by financial institutions and may be offered by stores. These are often very high interest rates and fees. However, 90 days same as cash, can be a good deal, but be careful you are only paying for what you bought (not additional life insurance and/or a warranty, for example) and know what happens if you don't pay within 90 days.

Right now, payday loans are legal in the state of Illinois. These loans are predatory and trap consumers in cycles of debt. Payday lenders market their loans as convenient solutions to temporary cash-flow problems. However, more often than not, payday loans can worsen your situation and are very expensive ways of borrowing money. They often carry high interest rates (400% interest is common) and they often include all kinds of hidden fees, too. To learn more about payday loans and protections in place, visit illinoisattorneygeneral.gov/consumers/paydayloans.html.

Like revolving loans, installment loans have required disclosures:

Annual Percentage Rate: This is the cost of your credit, stated as a yearly percentage. Right now, the maximum APR for consumer loans in Illinois is 36%. Visit ilga.gov/legislation/ilcs/ilcs3.asp?ActID=1204&ChapterID=20.

Finance Charges: This is stated in dollar amounts and includes the cost of interest, plus fees associated with the financing.

Amount financed is the original amount that you borrowed, stated in dollars. It includes, for example, sales tax and special extended warranties or other services.

Total of payments: This is what you will pay, assuming all payments are made on time.

Total sales price: This is the total cost of your purchase, including your down payment (which is not included in the financing agreement.)

Additional Savings Options

ABLE Savings Account: There are savings options for qualified individuals who have a significant disability. Many people who have a disability receive means-tested benefits that limit beneficiaries' savings to less than \$2,000. An ABLE account allows qualified individuals to save up to \$15,000 or more per year while continuing eligibility for most means-tested benefits. To learn more, go to Module 9.

Special Needs Trust: Another type of protected savings account is a Special Needs Trust (SNT). As of December 13, 2016, an individual can establish a Special Needs Trust account in their own name. The resource counting provisions of the SSI trust statute do not apply to a trust **established through the actions of the individual, a parent, grandparent, legal guardian or a court.** To learn more about the Social Security Administration rules, visit secure.ssa.gov/poms.nsf/lnx/0501120200.

Making Connections in Your Community: Guest Speaker (30 minutes)

Trainer will introduce representative of local bank or credit union.

Homework Assignment and Wrap-Up (10 Minutes)

- Sign up for savings messages at America Saves. Set a goal, think about how much you want to save and pledge to save and reduce your debt. As a saver, you will receive a newsletter every other month with consumer tips.
- Ask your bank or credit union if there is a credit-building product for which you may be eligible.

If you don't currently have a bank account, we encourage you to visit a bank and complete My Trip to the Bank handout found at the end of this module.

Evaluation and Closing (5 minutes)

Trainer should thank the participants for participating in today's training and congratulate them on first steps toward improving their financial wellness.

REMINDER: Be sure to have the participants complete the second half of the evaluation and collect.

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MY TRIP TO THE BANK



This handout will help you to decide which bank is right for you. Take this handout with you to a bank to fill out the following information:

Name of the Bank: _____

Address of the Bank: _____

Hours of Operation: _____

Is the bank close to your home or work? _____

Is there a minimum dollar amount to open a checking account? Yes or No (circle one)

If yes, what is the minimum dollar amount? _____

What are the costs to you per month to have a checking account?

Is there a minimum dollar amount to open a savings account?

Are there monthly service costs to you?

Do either the checking or savings account pay you interest on the money in your account?

Do you have to maintain a minimum balance?

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RATE YOUR FINANCIAL BEHAVIOR WORKSHEET



Read each statement in rows 1 through 12. In the columns next to the statement, place an X under the column that describes your Financial Behavior. Do this for each question.

		ALWAYS	SOMETIMES	NEVER
1	Pay bills on time.			
2	Have a checking account with direct deposit of paycheck from work.			
3	Balance checkbook monthly.			
4	Track expenses/record keeping system.			
5	Have a spending plan/budget and review it at least quarterly.			
6	Have a savings plan.			
7	Save a specific dollar amount weekly.			
8	Plan and set goals for a financial future.			
9	Have a savings account.			
10	Review credit report.			
11	Pay credit card balances in full each month.			
12	Have money in more than one type of investment.			