

# What to Know Before You Open a Bank Account

## Introduction

The Missouri Bankers Association is a trade association that represents the interests of member banks that do business in and have locations in Missouri. The MBA does not provide legal advice and does not regulate banks. This guide (*What to Know Before You Open a Bank Account*) is intended to inform the public generally about bank accounts. It is general in nature and is not customized for any particular size or type of bank. The term “bank” is used, which also refers to savings associations. The information in this document reflects laws and regulations in effect as of the date and version number shown at the bottom of the page.

Establishing a bank account is the safest and most convenient way to manage your money and start saving for future expenses. There are banks of all sizes and types, and you might find that one bank fits your needs better than others. Your location and your future plans may also impact your decision. Almost all banks have websites that show their locations and hours, and the types of bank accounts that they offer. Doing some research ahead of time to find the bank that might best fit your needs and types of accounts you might be interested in will help you prepare for when you go to the bank to open an account. You might not be eligible for every type of account that a bank offers. While banks have similarities due to laws and regulations that all banks are required to follow, there are differences in types of accounts, bank policies and procedures, and documentation. Below is information that is typical. It is important to know that a bank might have additional or different procedures and documents beyond what is listed below. You will be responsible for the account as if you were an adult.

## Information You Will Need to Provide the Bank

Every bank will require you to provide them with your “Identity” information:

- full legal name
- date of birth
- taxpayer identification number (commonly known as your Social Security number)
- current residential address, which cannot be a post office box

Additional identity information may be requested by the bank. Depending on the bank’s procedures, some type of the following (“Identification”) information or documents will be required:

- **Identification** – required by federal law/regulation, most banks will request a government-issued picture ID (such as a driver’s license) and another form of identification. The purpose is to allow the bank to verify the identity information you provided above. If you do not have a driver’s license, many banks also accept a state identification card or passport. If you do not have any of the above, some banks may allow other forms of identification, such as a birth certificate, Social Security card, etc. If you do not have any of these documents, contact the bank to ask if they have any alternate methods to verify identity information.

## Documents You May/Will Have to Sign at Account Opening

- **Verify Social Security number** by signing a W-9 – required by IRS regulations to certify that the Social Security number is correct – this may be part of another document.
- **Signature card/account agreement** – there may be one or more documents to sign showing the terms and conditions of the account and details of your responsibilities and the bank’s responsibilities. The signature card is to be signed in the name and style that you will use to sign anything in connection with the account. The signature card reflects the legal ownership of the account with you as the account owner.
- **ATM/Debit card application** – depending on the bank, you may be able to receive an ATM card or debit card to use with your account. An ATM card permits you to conduct transactions at ATM machines to withdraw cash or check your balances. A debit card may be used at merchants and online to purchase merchandise, and also at ATMs.

## Types of Accounts

Banks offer several different types of accounts. “Savings” accounts usually pay a higher rate of interest, but have limits on transactions that can occur every month. “Checking” accounts may or may not pay interest, but transactions may be unlimited. A similar type of account might not have paper checks, with electronic access through a debit card. Banks might have a certain type of account that better fits your needs, so it is important to know how you intend to use the account and what types of transactions you think you will have going in to the account (deposits) and coming out of the account (debits). For example: do you think you will need to use paper checks to pay others? Will you have regular deposits of some type? The bank’s customer service representative can explain the types of accounts.

A problem that customers can encounter is when there is not enough money in the account when some type of debit transaction reaches the bank. If the bank stops the debit from occurring because there is not enough money in the account, you may be charged a fee by the bank. If the bank does allow the transaction to go through, that may create an “overdraft” which would result in a negative balance in the account. For example, if you had \$10 in your account, and used your debit card at a gas station for \$20, and that transaction went through, the account would be negative by \$10. The bank would charge an overdraft fee, and you would be required to pay the fee and deposit money to bring the account balance back above zero. It is important to understand how this works for the account that you open.

## Account Information You May Receive at Account Opening

Depending on the account type and terms, there are several disclosures that are required by federal laws and regulations that will be provided to you at account opening. They may be separate pieces of paper, or they may be part of a “booklet” containing all the disclosures. These disclosures generally inform you of the various terms and conditions associated with the account or service provided. Read them carefully and ask questions if you do not understand. They may include:

- **Truth in Savings Disclosure** – this disclosure contains information about the interest rate (if any) and any fees associated with the account, along with any restrictions on how the account can be accessed. Other information will be included related to the account type, including information related to any minimum balance dollar amount requirements.

- **Funds Availability Disclosure** – this describes the bank’s “funds availability” policy related to deposits you make into the account. If a check is deposited into an account, this document will describe when those funds will be made available for withdrawal (when they can be accessed). On occasion the timeframe will be longer if the bank places a “hold” on a check deposit. If that happens, the bank will provide you with a notice that will state the day when the funds from that check will be available for withdrawal. Types of deposits other than checks may be covered by this disclosure or listed in another disclosure. It is important to know that funds deposited into the account are not always immediately accessible to be withdrawn.
- **Electronic Funds Transfer Disclosure** – this document describes information about the account related to electronic access – whether by debit card, ATM card, or an automatic deposit or withdrawal (referred to as “ACH”). You have responsibilities to promptly report to the bank any unauthorized transaction on the account, which may occur from a lost or stolen debit card, a merchant data breach, etc. Make sure you know how to report a lost or stolen card, or an unauthorized transaction or other error on your account. You may also be given a document called “Opt-In Notice” or “Consent Notice” related to whether or not you want to authorize the bank to pay certain transactions (one-time debit card and/or ATM transactions) that will cause the account to be overdrawn (and for the bank to charge an overdraft fee). **There is no requirement that you authorize these transactions; it is your choice.** For some accounts, it is possible that the bank will not permit the account to be overdrawn.
- **Privacy Disclosure** – this describes the bank’s policy associated with the customer information the bank collects and whether the bank shares certain types of customer information with third parties (marketing companies, insurance companies, etc.). The notice will provide a method for you to limit information sharing with third parties when that is a choice you have.

## When an Account Might be Closed or Restricted

Just because a bank opens an account doesn’t mean it can’t be closed or restricted by the bank in the future. A bank might close an account if it frequently has a negative balance, or if the customer is not using the account according to the account terms and conditions, or if there is suspected fraud associated with the account, among other reasons. The bank might also restrict some types of access to the account, including freezing or revoking a debit card. It is important to contact the bank if you encounter any difficulties or don’t understand something that is happening with your account. It might be possible to switch to a different account type that is easier to manage. If your account is closed for mis-use, that could prevent you from opening a bank account in the future.

## Important Things to Remember!

- **Ask Questions!** Be sure you understand all the costs associated with the account, including any cost to order checks, ATM fees, monthly or per-transaction fees, overdraft and insufficient funds fees, etc. Ask about differences when using the bank’s ATMs or when using ATMs that are not owned by the bank.
- **Retain Bank Documents:** Keep all the disclosure documents to refer to when questions arise. If something changes on the account relating to any of the disclosures provided above, the bank will generally send written notification to you 30 days in advance of the change. This notice may be provided separately or with a monthly bank account statement.

- **Maintain Minimum Balances:** Be aware of any minimum balance requirements, as stated in the Truth in Savings Disclosure, and try to keep your balance above that amount.
- **Review Bank Statements:** Carefully review your bank account statement every month. Your statement will show details of deposits, withdrawals, and fees affecting your account. It is your responsibility to assure that funds being deposited to and withdrawn from your account agree with your records or knowledge. You might find it helpful to keep your debit card receipts and other documents to match up with your statement each month. **If there are any discrepancies, contact the bank immediately.**
- **Be Financially Responsible:** Keep track of the balance in your account on an ongoing basis to ensure transactions will not be rejected or cause an overdraft. Banks typically offer various methods by which you can regularly keep track of balances in your account. Balance inquiries are a “snapshot” at the moment of the inquiry, and will not necessarily reflect transactions that are pending that have not yet affected the account balance – whether a deposit to or a withdrawal from the account. Ask if the bank has any “alert” features that would notify you about low balance amounts, suspicious transactions, etc.
- **Understand Bank Overdraft Policies:** Understand what the bank’s policies and practices are in relation to checks and other transactions that might overdraw the account or be returned due to insufficient funds in the account – there are fees that are associated with overdrafts and returned items that can add up quickly.
- **Protect Your Information:** Be very careful with whom you share personal and confidential information about yourself and your account, such as account number, debit card number, PIN, Social Security number, etc. There are individuals that try to “trick” bank customers into sharing this sensitive information in hopes of hacking in to the account and taking funds. Banks do not directly contact their customers after account opening to request such information. If you have an ATM or debit card, keep it secure and keep the PIN information separately from the card. **Be Aware and Stay Alert!**
- **Keep Bank Up-to-Date:** Notify the bank of any changes in your contact information including mailing address, email, phone number, etc.

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