



# Lesson 4

# Electronic Transactions

# 04

## **WHAT ARE ELECTRONIC TRANSACTIONS?**

Electronic banking uses computer and electronic technology as a substitute for checks, cash, and other paper transactions. Electronic transactions are done using devices like cards or codes that let you, or those you allow, access your account. Sometimes, electronic transactions are called Electronic Funds Transfers, or ETFs.

Examples:

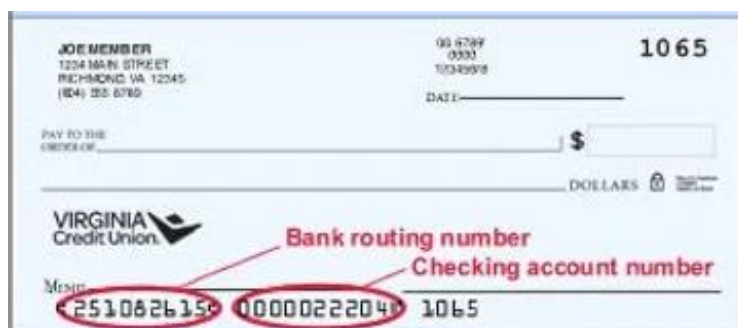
- Automated Teller Machines (ATMs) allow you to access your bank accounts using your debit card and PIN number.
- Direct deposit is a service where money is deposited directly to your account, without you having to physically deposit cash or a check.
- Transferring money between accounts allows you to move money from one of your accounts to another of your accounts. It also allows you to send money to other people's bank accounts.
- In-person purchases using a debit card are electronic transactions made quickly at the cash register.
- Online purchases using your debit card can be made by giving a company your debit card information online in order to pay for something without going to a store.
- You can frequently pay for some services, such as bills, over the phone if you have your debit card information.

All of the above examples will be covered in more detail in this lesson. First, complete the following warm-up exercise:

1. Which of the following are electronic transactions?
  - a. Buying groceries at the grocery store with your debit card
  - b. Paying your monthly rent with a check to your landlord
  - c. Mailing your sister \$20 to help her pay for the babysitter for her children
  - d. Transferring money from your checking account to your savings account because you have some left over at the end of the month
  - e. Transferring money to your family in a different country using your bank's online banking website

Many electronic transactions, but not all, require you to know certain information about your bank account. You need to know your account number, which is a number associated with your bank account. Your checking account and savings account will have different account numbers. The account number is unique for that account, and you can think about it like an ID for your account to help banks identify that the account is yours. You also need to know your routing number, which is a number used to determine which bank your account is with.

Your account number and routing number can be found on a check. In the example below, the account number is 0000022204 and the routing number is 251082615.



2. Look at the example check below.

a. What is the bank account's routing number?

b. What is the account number?

c. Note: Can you find the mistake on the check? Look near to the exclamation point

Jane Doe  
123 Main St  
Anywhere US 10111

Date 07/01/2018

PAY TO THE ORDER OF ACME Grocery Shop \$ 8.159 !

EIGHT AND 15/100 DOLLARS

Your Bank  
456 Main St  
Anywhere US 10111

MEMO Lunch w/Friends Jane Doe

⑆ 23456789⑆ 1001001239⑆ 0790

If your bank has online banking, you can find information like your routing and account numbers online once you login to the online banking portal. Banks that have online banking also usually have a mobile app that you can use on your phone. Online banking typically allows you to:

- See all of your recent transactions
- Obtain account information like account number and routing number
- Download past bank statements
- Update personal information like phone number and address
- Some banks allow you to deposit checks using the mobile app by taking pictures of the front and back

When you first open your bank account, a representative can help you sign up for online banking while you're at the branch (as long as the bank offers online banking). Online banking is a great way to

check your recent transactions, account balance, and more quickly and easily.

3. Mario needs to pay a credit card bill that is due in 4 days. What is the fastest way for him to send the payment?
  - a. Write a check and put it in the mail
  - b. Pay online from his bank account website
  - c. Pay online through the credit card website
  - d. Mail the cash to the credit card company



## **USING AN ATM**

An ATM is a machine that allows you to conduct a number of bank transactions. You can withdraw cash from most ATMs.

Your bank ATM will allow you to deposit money and checks, withdraw money, and check your balance.

Be Careful! ATMs may encourage you to take out more money than you need. Some ATMs do not allow you to take out less than \$20.00. As discussed in Lesson 2, not all ATMs are free. Independent ATMs always have a fee. It is always cheaper to use an ATM that is owned by your bank.

To use an ATM, you need a debit card and a PIN number. Your PIN (Personal Identification Number) is a number, usually 4 digits, associated with your checking account. Your PIN is like a password for your debit card; be very careful to not let anyone else find out your PIN number.

Here is an example of an independent ATM outside a store. This ATM would have a fee for anyone who uses it to withdraw money, and it cannot be used to deposit money.



Here is an example of an ATM that is associated with Chase Bank. If you have an account with Chase bank, it would be free to withdraw money or deposit money or checks at this ATM.



Here is a picture of an ATM up close:



Here are the steps to using an ATM:

**Step 1:** Insert your debit card in the slot, usually it will say “CARD”, “INSERT CARD”, or have a picture of a debit card below it. In the picture above, a debit card is being put in the card slot. Some ATMs have you put your debit card in and remove it immediately, some ATMs keep your debit card inside until the end.

**Step 2:** Select the language you want to use on the screen.

**Step 3:** Enter your PIN number using the keypad below the screen. Try not to let anyone else see you enter your PIN number if you’re in a crowded place, the PIN number is like a password for your debit card.

**Step 4:** Select the type of transaction you want to make, like withdrawal or deposit, on the screen.

**Step 5:** If you are withdrawing money, select the amount of money you want to withdraw or enter it on the keypad. The cash will be

given to you in a slot that is usually below the keypad.

**Step 6:** If you are making a deposit, select whether you're depositing cash or a check. If depositing cash, a slot will open that you put the cash in. If depositing a check, make sure you sign the back of the check and then put it in the indicated slot.

**Step 7:** If you want, print a receipt for your records. Some ATMs will allow you to have the receipt emailed to you or sent to your mobile phone.

**Step 8:** Do another transaction if necessary.

**Step 9:** Select on the screen that you are finished with your transactions, and make sure you take your debit card with you if the ATM has kept it inside until the end.

Activity: watch the following video, and answer the questions in the video: <https://edpuzzle.com/media/5f90b3bd2c35d9409e5ee0af>



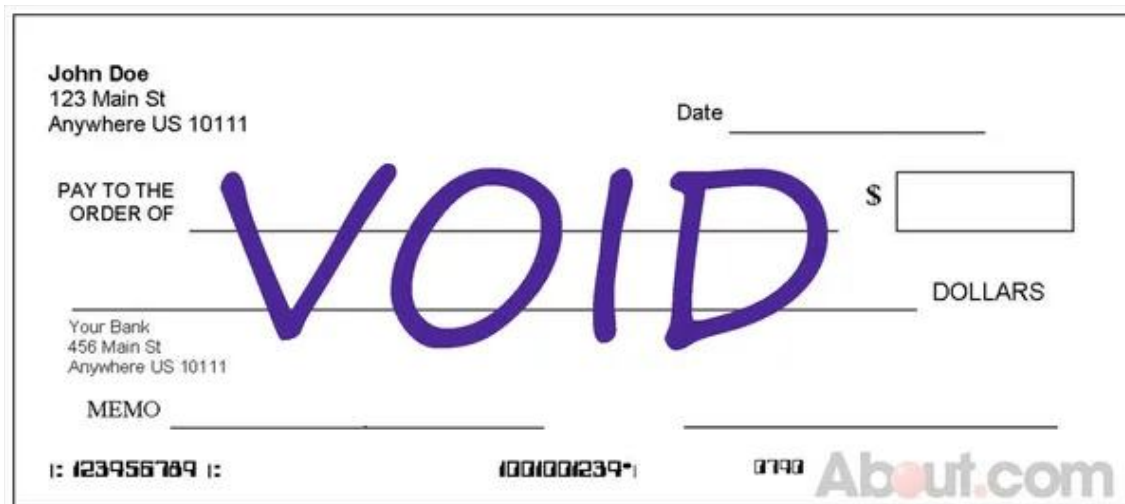
## **DIRECT DEPOSIT**

Direct deposit is a type of electronic transaction that you will probably encounter sometime during your life in the USA. They're commonly used by employers to pay you without having to give you a physical check or cash. Direct Deposit- a direct deposit is a deposit of money by a payer directly into the recipient's bank account. By giving someone your account number and routing number, they're able to directly deposit money into your bank account. This is a very

secure process; another individual cannot take money from your bank account using your account and routing number, only send you money.

4. This is a brainstorming activity. What are three reasons you can think of that direct deposit would be better than exchanging cash or a check?

Since employers need your bank account number and routing number to send you money via direct deposit, an employer might ask you for a voided check when you first start working in order to set up direct deposit for your paychecks. Do not ever give anyone (even an employer) a blank check, make sure you write the word “VOID” the check as shown in the example below:



## TRANSFERRING MONEY BETWEEN ACCOUNTS

Another type of electronic transaction you may want to make is between your own bank accounts or to another person’s bank account. You may have already transferred money between your checking and savings accounts in-person at a bank branch, but if your bank offers online banking then you should be able to make transfers online as well.



## Examples of When to Transfer Money

- If you have to make a big purchase from your checking account with your debit card and want to be sure you have the money in your account to cover the purchase, you can transfer from savings to checking
- You might transfer money to your savings that is left over from your paycheck after you have paid your expenses.

Be sure to note whether your bank limits the amount of transfers between accounts over a certain period of time (usually one month). Some banks may charge you fees if you exceed this, or they will not allow the transfer to go through.

5. Flores is saving money to buy a used car. She needs a down payment of at least \$1000. She is saving \$100 a month for the car. Her bank charges her \$5 if she transfers money between accounts more than 5 times each month. Her checking account has a 0.01% interest rate, but her savings account has a 1.25% interest rate. She wants to put \$25 a week into her savings account to save for the car, but she is worried that she might need to use some of the money in her savings if she doesn't have enough to cover her bills during the month. If she wants to maximize her savings, should Flores

- a. Put all \$25 in her savings each week as soon as she receives her paycheck.
- b. Wait until the end of each week to put the money in her savings if she doesn't need the \$25.
- c. Put some of the money in savings (such as \$10) each week and the rest at the end of the month, if she still has it.
- d. Put \$100 in her savings at the beginning of each month and only take it out if necessary

e. Put \$100 in her savings at the end of each month, if she has enough left



## TRANSFERRING MONEY USING FINANCIAL APPS

There are mobile phone apps that allow you to transfer money to other people easily. Apps such as Venmo or Paypal can be linked to your bank account. Venmo allows payments to be made from one account directly to someone else's account, and can be used in place of writing someone a check or giving them cash. Venmo only works if both users are located in the United States as of right now. Paypal can be used to create and send invoices and to pay someone else. It is also used on many websites to make purchases.



6. Flores needs to give \$15 to her friend because they are splitting the bill for lunch at a cafe, but Flores doesn't have enough cash. What's the best way for her to give her friend the money?

- a. Go to an ATM and take out the cash
- b. Venmo
- c. Paypal

d. Write her friend a check

## IN-PERSON PURCHASES USING A DEBIT CARD

Most stores and restaurants allow you to make purchases with a debit card. You may be required to enter your pin number to complete the transaction. Some places and banks allow you to use your debit card as a credit, so that you do not have to enter your pin number. As long as you have enough money in your account to cover the purchase, the transaction should be immediately approved.

Here are some examples of the machine's that you might see in stores and restaurants that you can use your debit card at to make payments:



## ONLINE PURCHASES

You can make purchases online by entering in your credit card or debit card information, including your card number, the expiration date of the card, and the Card Verification Code (CVC or CVV), which is a 3 or 4 digit code usually found on the back of the card.

Note: The CVC on the card below is 123.

**CVC 2 number is printed in reverse italics to the right of the last four digits of the account number**



To pay bills online, you may have a couple of options. You can enter in the information for a debit card or credit card, as explained above, as if making an online purchase. Some companies may give you the option to pay directly from a bank account instead. In order to set this up, you will need the routing number and bank account number for the account that you would like the money to come out of. This would be similar to the process for setting up direct deposit, but it would be used to withdraw money instead.

## **ONLINE SAFETY**

You should be extremely careful online, especially when making purchases or payments. Make sure that a website is trustworthy and secure before you enter your credit card or bank information. You should only do this from a private web server if possible, not from a public place where your information could be more vulnerable to theft.

Never put your personal banking information into an email. Your bank will not ask for this information in an email or a phone call. If

someone requests this from you, you should immediately erase the correspondence. Never respond to it!

More information on consumer safety will be covered in future lessons.



## ANSWER KEY

1. The following are electronic transactions: a, d, and e. Regarding e, more information on remittances is included in Lesson 8.
2. The routing number is 123456789. The account number is 1001001239. There shouldn't be a comma in the \$8,159. It should just be \$8159.
3. C. Mario should go to the website of the company to ensure he does not get a late fee; however, most online payments transfer the money to the company in 2-5 business days, so if he had more time he could transfer it from his account to the company if he has already set the company up as a payee.
4. No chance of losing a physical check or cash; it's secure because there's no chance of someone stealing a physical check or cash; direct deposit is usually faster because it doesn't rely on you having to go to the bank or someone processing a check deposited at an ATM; if you get paid every week or month on the same day (for example, the last day of every month), direct deposit can help you budget because you'll know exactly which day of the month money will be in your account.
5. D. If she can afford to do so, Flores will maximize her savings by putting all \$100 in her savings at the beginning of the month because it will accumulate the most interest. This also has the benefit of only being one transfer each month so she still has 4 more transfers she can use if she needs some of the money to cover bills before her next paycheck. However, if she can not afford to put all \$100 in savings at the beginning of the month, she may want to choose another option.
6. B. or C. Venmo and Paypal are both fast ways to transfer money to your friend without you having to pay a fee.