If you regularly use a check-cashing service and also frequently purchase money orders or certified checks, it is amazing how fast these costs can add up. You may have good reasons not to use a bank—difficulties opening an account, no bank in your community, fear of high bounced check and debit card fees, not to mention other bank fees, and the threat that a creditor could seize your bank account.

Some of these problems can be solved. Avoid bank overdraft fees by not writing checks, instead using your debit card, and making sure the bank has not signed you up for an overdraft plan that hits you with big fees while it honors your ATM or debit card purchases even with insufficient funds in your account. Look also for credit unions and smaller banks that often have fewer fees than bigger banks. Social Security and many other federal benefits are generally immune from seizure by creditors, as described in Chapter 21 [1].

Another option is prepaid cards. Social Security and Supplemental Security Income can be deposited to the Direct Express prepaid card. Call 888-741-1115 or visit www.USDirectExpress.com [2] to sign up. For other government benefits, including unemployment insurance and child support payments, ask the program office if a prepaid card is available. Some larger employers also offer payroll cards as a way of directly depositing wages to employees without bank accounts. Ask your employer if one is available. Other prepaid cards are network-branded (such as Visa, MasterCard, or American Express) and can be used to make purchases, get cash back from a purchase, and withdraw cash at an ATM just like bank accounts. However, like bank debit cards, these are not credit cards.

With all these cards, your benefits or wages are automatically added to the card each month and you can mostly use the card just like a debit card. There will be no check writing privileges. Typically, you can obtain a prepaid card even with a poor credit history.

Shop around for cards that have low fees (including low fees to use an ATM machine), figure out how money will get onto the card if it is not being directly deposited by your employer or the government, determine how to check the balance on your card, and never sign up for overdraft “protection.”

Source: National Consumer Law Center, Surviving Debt [50th NCLC Anniversary Edition], updated at www.nclc.org/library
Source URL: https://library.nclc.org/sd/0807

Links