

## Dear New Yorkers:

For people with limited incomes, checking accounts can be complicated and costly. Many banks charge fees that go up as the size of the deposit goes down. At the same time, it's becoming increasingly difficult to maintain a "cash only" lifestyle: both the government and employers frequently insist on using direct deposit of benefits and payroll.



Fortunately, there are alternatives. New York State requires banks to offer affordable banking services. All banking institutions in the State, including commercial banks, savings banks and credit unions, are required to offer "basic banking" accounts, commonly known as "Lifeline Accounts," to any and all customers.

In addition, prepaid debit cards are becoming more popular as an option for those without a bank account. While this may be a convenient alternative, it's important for consumers to know the pros and cons of using these cards.

Always make sure you carefully read all user agreements, understand all the fees you may be liable for, and shop around for the best and safest banking deals.

Sincerely,

A handwritten signature in black ink that reads "Eric Schneiderman". The signature is fluid and cursive.

Eric T. Schneiderman



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NEW YORK STATE OFFICE  
*of the*  
ATTORNEY GENERAL



## Low Cost Banking

- Lifeline Accounts -

- Prepaid Debit Cards -

Consumer  
Protection Bureau

## Basic Banking or "Lifeline" Accounts

Lifeline bank accounts offer significant savings to consumers and all banks in New York State must offer them. There are some restrictions, your financial institution may require you to:

- Direct deposit of your social security, wage or pension payments;
- Close any other transaction accounts.

Here is what to expect if you open a lifeline account.

- **Low Initial Deposit:** You can open your Lifeline account with a deposit of only \$25.
- **Minimum Balance:** To keep the account open, you will need only one penny on deposit as a minimum balance.
- **Maintaining Your Account:** Your financial institution cannot charge you more than \$3 per month to maintain your Lifeline account.
- **Free Withdrawals:** You can make withdrawals from your Lifeline account at least eight times per month at no charge.
- **No Monthly Minimum Deposit:** There are no restrictions or penalties as to the minimum number of deposits you make per month.

Bank doesn't offer a "Lifeline" account?  
Contact the Office of the Attorney General's  
Consumer Protection Hotline  
800-771-7755

## "Stored Value" or Prepaid Debit Cards

Prepaid debit cards can receive deposits (cash or direct deposit from an employer or government agency) and be used to make payments or withdraw cash from an ATM. Often the cards are "branded" by major credit card companies and can be used anywhere those cards are accepted. Here are some issues to consider:

- Prepaid debit cards may have unexpected charges such as fees for activation, monthly service, reloading money, ATM withdrawals, balance inquiries, and fees for making a purchase when there is not enough money on the card. There may also be a fee if you close the account or don't use the card for a few months.
- Unlike a credit or debit card linked to a bank account, there are often no protections if the card is lost or stolen.
- Finally, although prepaid debit cards are often marketed to those with credit problems, using one will not help repair a poor credit history.

Before signing up for a prepaid debit card, look carefully at all the costs involved with using one. Compare the costs with those involved with a lifeline account or a local credit union. Most important, carefully consider which banking options offer you the most protection against loss or fraud.