

Topic 2

Case Study

After taking English language classes and a food service training class, Marta's mother Cecelia (age 59) was able to start a part-time entry level job at a local eatery. Her net weekly paycheck is \$175. She came to the United States two years ago. She has no banking relationship or credit established.

She went to the local bank to try to open an account but was told that she needed to maintain a minimum balance of \$1,500, otherwise she would be charged a \$15.00 checking account fee every month. She pays her bills either in cash or by money order. She cashes her paycheck at a check cashing store near home because the employer's bank does not cash payroll checks. The check cashing store charges her 2.01% of the amount of her paycheck.

She also buys a money order from the post office each month to send \$50 to her cousin Jose in Texas to pay off a loan he gave her. Each money order is \$1.25.

Marta and Bobby have asked you to work with her.

What guidance would you give Cecelia? Should she open a banking account?

Would it be more beneficial to get a checking account over a savings account or vice versa, or what alternatives are available to her?

How much does it cost Cecelia for each check she cashes?

How much does it cost her over a year (52 weeks)?

How much does it cost Cecelia to send 12 payments to Jose each year?