Online Banking

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How Online Banks are Set Up

Even though you may not have any plans to set up an online banking operation of your own, you may find it interesting to know how it is done.

First you'll want to get a group of at least 5 people to organize the online banking company. These people will become the board of directors and 1 of them will need to be the bank CEO. This group of people will work together to develop working procedures of the online bank.

First Steps

The first order of business for the group will be to decide on a name for their online bank. This can take a lot of time because it needs to be something catchy, easy to remember and has a nice ring to it. They must also insure it doesn't infringe on any trademarks or be too similar to other banks. If the name is too similar to another bank, they won't be able to get a trademark for it.

Once they've decided on a name they can file for a trademark at the US Patent and Trademark Office. There they will fill out just one form and pay a fee. Then they will have to wait for approval. If all goes well their chosen name will be trademarked without any delays.

Website and hosting

Next they will need to acquire hosting and have a website professionally built for them. The web designer they choose will need to be able to setup the highest level of security as well as an attractive site. The site must also be easy to navigate. They also must insure that no copyrighted material has been used on the site.

Forming a Charter

Now the bank is ready to form a charter. They will apply for this charter using the Office of the Comptroller of Currency (OCC). This can be a lengthy process and will involve a ton of paperwork and information.

Another method of getting a charter is to take over stock of an existing bank and apply for a change of charter with the OCC. The OCC will give them advise on the best way to submit their application for this charter.

The OCC will then evaluate all the information that has been provided to them about their financial situation and proposed banking policies. If the OCC approves their charter application they will then be ready to open for business.

Why People Like Online Banking

Banking online is becoming increasingly popular every day. Have you given it a try yet? If not maybe you're not sure what all the fuss is about, so let's take a look at the advantages of online banking.

Easy to open a new online bank account
You can do it from the comfort or your own home. All you have to do is answer a few questions and you'll soon be banking online. For security purposes you'll be assigned a username and password, and some may have a few other safety measures in place. To wrap things up you'll need to print off a form that you will need to sign and mail or fax it in.

Saves money
Fees are lower than a traditional brick and mortar bank. Since online banks don't have as much over head as the traditional banks do, they can keep their fees lower. Many traditional banks also offer online banking where you can pay bills, transfer funds and check your account 24/7.

Easy Comparison
It's easy to compare deals with online banks so you can see which one offers you the best deal. You can check the different online banks and find interest rates and policies about checking and savings accounts. You can also see what credit cards they offer, and at what the rates are. You can compare loan terms. You can also check with the FDIC to verify the banks' credibility.

Monitor account
Online banking customers can monitor their account balances daily if they want to. You can check your balance anytime day or night. You can lookup a particular check to see if it's cleared or see if deposits have been credited.

Download Statement

You can download your monthly statement directly to your computer or to accounting programs such as quicken. This makes managing your acct a breeze! You can also see copies of the checks you've written.

Catch Fraud Faster

Since it's so easy to access your account at any time it's easier to monitor it for any fraudulent activities. If anything suspicious is going on with your account the sooner you know about it the sooner you can take steps to put a stop to it and recover any lost funds.

Convenience

Online banking is a lot more convenient than being restricted to certain banking hours such as traditional banks have. It doesn't matter what the weather is because you don't have to leave the house. Online banking allows you to manage your money from just about anywhere 24/7.

Taking Your First Steps With Online Banking

You've made the decision to take advantage of the benefits of online banking; now you just need to know how to get started. In this section we're going to show you how to get started with online banking.

Online banking with traditional bank
If you want to register an online account with the traditional bank you already have an account with the process is pretty simple. You just contact your bank and tell them you want to start using their online services. They will then send you all the information you need to get started. They will include an instruction sheet along with the username and password to access the account online.

Security Process
This letter will also cover security issues with online banking. It will tell you about what security measures they have in place, such as that you have a browser that supports 128-bit encryption. It will also explain to you how to enter your username and password on the bank's website. The letter may also tell you how to type in the bank's URL carefully to avoid phony phishing sites that are set up to steal your information.

The other letter you will get will be one with your temporary password. It will explain how you can change your password. It will also tell your about the various security tokens you may have chosen, such as images and captions. Then it will explain how to log on to the bank's site and begin online banking.

Virtual Banking Only
If you are going to be using a bank that only exists online (virtual bank) the signup process will be somewhat different. First you'll need to open an account with the virtual bank.

You will find a lot of the considerations are the same as with traditional banks. You will want to make sure they are FDIC insured. You also want to know their interest rates on savings accounts, loans, and the different checking accounts. It might also be good to know the bank's overdraft fees.

You will want to be sure and read all the rules and procedures in doing business with them. You'll want to be sure and actually read them so there won't be any surprises later on.

Once you've chosen your online bank, you need to make sure it's a reputable one before you divulge any personal information or give them any money.

The virtual bank will allow you to choose a username and password, within certain parameters. You can then get down to the business of starting your online banking account.

You will need to provide all the usual information that you would give to any other bank when setting up an account. Next, you will need to send the virtual bank some kind of deposit to get the account officially open. Once you're all setup with your online bank you can start using it and enjoying the benefits it provides.

Paying Your Bills using Online Banking

Online banking can make the bill paying process a fast and easy process. You can even choose to have it done automatically if you want too. Whichever way you choose it will still save you time and are more accurate.

Free Bill Paying
You will find that some online banks will allow you to do free online bill paying. Normally this will require some type of qualifying account. Some online banks will give you free bill paying if you keep a large sum of cash in your account all the time. This qualifying sum may be a $1000 or it could be as much as $5000 depending on the online bank.

Non-free Bill Paying
If you don't qualify for free online bill paying you will have to pay a fee which is normally less than $10 a month for a certain number of transactions. If you go over the limit you will have to pay additional fees. This added fee is normally less than .50 per bill.

Getting Setup
To get started with online banking just look for the link to 'bill paying' or something similar. From there you will just follow the enrollment steps. They will tell you how to setup your payees etc.

If you have more than one bank account with the institution you will need to select which account the funds are to be drawn from. You will need to set your bills up for payment in advance. This may vary from one bank to another so be sure to find out how far in advance you need to schedule the payment.

Recurring Bill Payments
You can also setup recurring payments to be taken out of your account periodically. These payment arrangements are commitments, so unless you cancel them before the scheduled payment date, they will be paid. If you

don't have the money in your online banking account to cover them, you will become overdrawn.

Confirming Bills Have Been Paid
You can check to find out if a payment has been made in different ways. You can choose to be notified by email from your bank every time they pay a bill. This payment will also show up in your online bank account transactions. You will also realize from your next bill from that company if a payment was credited to your account.

Paying bills utilizing online banking is easy once you get the hang of it. If everything is setup correctly, it will take very little time to manage the steady stream of payments going from your account to those with whom you do need to pay.

How to Determine if Your Online Bank is Legit

If you've decided to setup an online banking account, you may have some concerns as to whether or not it's a legitimate business or not. After all it wouldn't be hard to setup a website pretending to be a bank and then they steal your money or your identity. These are legitimate concerns, however there are precautions you can take to be sure the online bank you've chosen is legitimate.

Check Bank's Credentials
You'll want to start at the online bank's website and see what information you can find there about their banking credentials. You should be able to find the bank's official name and perhaps some articles that talk about the bank's history including their online banking history.

They should have a contact page that contains information about their location and where and how they can be contacted. They should also state somewhere that they are FDIC insured.

Verify they are FDIC Insured
You'll want to verify that they are indeed FDIC insured. This is easy to do. Look for the words "FDIC Insured" or "Member FDIC" or the FDIC logo, if you find them you may be on the right track. However, it is wise to dig a bit deeper. You'll want to go to the source to find out if the online banking company is really affiliated with the federal insurer.

The FDIC has its own database that will include all of the banking institutions, including online banking companies that are covered by their FDIC insurance. Just go to their "Bank Find" http://www2.fdic.gov/idasp/main_bankfind.asp site to find out if your bank is listed with them. You can perform a search with the name of the bank or its address.

If your online banking company is on their list, the FDIC will provide you with a whole list of helpful information. You will learn when the bank became insured, and the number on its insurance certificate. You can find out the location(s) of your bank and its official name. You can also find out what government entity regulates that bank.

If your online banking company does not show on the list, you should go directly to the FDIC. They will be concerned with the legitimacy and safety of that bank as well. If they are not FDIC insured it's not a good idea put your money in an uninsured bank. If this is the case, it's best to look for another online banking company, as there will be plenty legitimate ones to choose from.

Use Caution When Accessing Online Bank
Once you are setup with a legitimate online bank, you will want to exercise caution when accessing it. You will always want to be sure you have typed the address in correctly as a mistake could lead you to a fake site. Some dishonest people will create a fake site that looks like the real one in an effort to trick you into signing with your username and password which they will then capture and use it to steal from your acct.

You will also want to be cautious with any emails you may get that appear to come from your bank and they try to trick you into logging in with your details so they can get your information. We cover this in more detail in next section so be sure to read that as well.

Tips to Prevent Online Banking Fraud

Like any other business online banking is susceptible to fraudulent activity. Scammers can be found in most any business and the Internet is no exception. The good news though, is there are steps you can take to protect yourself.

Fake websites
One well-known trick by fraudsters is to setup a fake website that can look identical to the real one and get a domain name that is similar to the bank name. In this instance they are waiting for you to type the url to your bank incorrectly and then enter your login details so they can capture the information. They would then use your information on the real site to steal your money or identity. To prevent this type of theft you should bookmark the real site and use that to access your online bank. That way you can be sure you don't type it incorrectly.

Phishing
Another common type of online fraud is called "phishing". In this method they send you an email with a link telling you to take some type of action on your acct. The link will be cloaked to look like the real URL but instead it will take you to a fake site made to look like the real one where they are waiting for you to enter your login details or other private information.

Protecting yourself
In most cases if you just point your mouse to the link, but don't click it you will see it does not really go to your bank. The other clue is the email will address you as something like "dear customer" rather than your actual name. If you ever get these type of emails go to your real bank URL by using the bookmark or typing it in directly and you'll find an email address to report these types of emails. They will verify if the email is a spoof or not and if it is, they will take action to shut them down.

You must remember that a legitimate online bank will NEVER ask you for the password to your acct. This is very confidential info and should not be shared with anyone.

Your bank will also never ask you for personal information through an email link. Whenever you dealing with an online bank, type in the bank's web address yourself or use the link you have book marked. Then take a close look to be sure the closed lock symbol appears on the upper right corner of your screen. You will never go to a secure online banking website without being able to see that locked padlock symbol.

Even taking precautions, it may be possible for some scammer to find a way into your bank account. So the best defense is to monitor your account carefully on a regular basis. This way you will know right away if something is wrong. If you do find any fraudulent activity you must contact your bank and report it immediately so the bank can take swift action to protect your funds.

More Online Banking Security Tips

Online banks work hard to make their servers as secure as possible. They consult with experts in the security industry to help them fix any weak spots. One way they do this is to hire some computer-hacking consultants that try to find any areas that may make their banking system vulnerable to scammers. However there are some things you should do as well.

Use the Right Browser
First the online bank will normally require you to have a browser that supports 128-bit encryption. This is to insure the information is as safe leaving your computer as when it's on the bank's secure server. Most current versions of popular browsers such as Firefox or Internet Explorer will have this feature, so be sure you are running a current version.

If you're setting up online banking access with your traditional bank they will normally provide you with a username and password at the bank or the online bank website. Be sure to follow their guidelines in choosing your usernames and passwords.

Password tips
When choosing your password, you can base it on something you know or like. It can be anything that no one would specifically be able to relate to you. For instance, it could be a line from a song. Another idea is to take the first letters of all the words and make a string of characters for your Internet banking password. Then, you could capitalize some of them, throw in some numbers, and you have a password that will be hard to guess but easy for you to remember.

Once you've chosen your password you should memorize it and destroy any pieces of paper it may be written down on. You should also change your online banking password on a frequent basis. Some banks will force you to change it

on a regular basis. You should not share your password with anyone unless they share the account with you.

Safety tips

You should always be careful to logoff after accessing your online bank account. This can be especially true if you are accessing it in a public place. However I would advise against accessing your online bank on a public computer as you can never be sure what someone may have planted on the computer. Plus for some savvy Internet thief it wouldn't be difficult for them to some how get a hold of your information. This is because computers will store things in data logs and the cache. Some banks will provide a service that blocks transactions from being stored in a computer's cache memory. If your bank offers this feature then using a public computer for online banking would be much safer.

If you are accessing your online bank in a public place you also must take precautions to not let anyone see what you are entering for your login details.

By now you see there are many ways you can protect your personal details when using online banking, however it will require you to use caution and think before taking certain steps. You play an important part in keeping your information safe.

Transferring funds With Online Banks

One of the benefits many people appreciate with online banking is the ease of transferring funds between accounts. There can be many reasons why people may want to transfer money from one account to another.

For example some people may want to transfer funds between their traditional bank and their online bank. They may want to do this so the money will be available in the account they normally pay bills from.

Moving Money Between Accounts
Another example is people moving money from a checking account to a savings account or visa versa. They may also want to transfer funds from an investment account into their online bank account. You can do this with any account you have that can be accessed via the Internet.

Yet another reason could be to transfer money from your account to someone else's' account. This need could arise if perhaps you need to help someone and they need access to the funds right away. With online banking you can do this in a matter of minutes.

Doing business overseas could be another reason someone may need to transfer funds into someone else's account.

Transferring funds is quite easy to do and usually just requires you to login to your account and select the 'transfer funds' option. If you already have some accounts linked with your online bank, the next thing you will do is choose the account the money is going to.

If you need to send money to another person's account, there is normally a little different process to do this. You may see a different tab to select, such

as "pay person." This will help you to arrange the funds transfer to another person's account using online banking In either of these cases, you can set it up as a one-time only, or as a recurring transfer. This can be quite handy if you have an elderly relative on a fixed income that needs help on an ongoing basis.

Using online banking to handle funds transfers is an effective way to approach any number of problems. If you are ever curious about how to get money from one place to another, log on to your online bank and check out funds transfer option.

Online Banking Privacy Policies

As a consumer you usually want to keep your personal information private to prevent others from using it for their own gain. For this reason there is privacy policy legislation in place to protect you and an online banking institution must abide by them just as any other business does. So you always want to know how your online bank is going to use and protect your personal information.

A study was conducted to determine how well different banks, including Internet banking companies, handled their privacy policy. Every financial institution should have a privacy policy that is consumer friendly.

Privacy Policy Law
The law we are referring to is the Gramm-Leach-Blily Act, or GLB, as it is often called. This law was enacted by Congress in July 2001. This law gives power to financial institutions to conduct business in a lot of important ways.

More importantly to consumers, there is a section dedicated to the privacy of banking customers, including online banking customers. All banks must provide consumers with a copy of their privacy policy. This privacy policy will explain how online banking operations as well as other banks will use your personal information.

Personal Information
Your personal information could include any information that can be identified as your specific information. It could be things such as your name, address, social security number, online banking transactions you may have done in your name, and other information as well. It could also be any information that someone could guess just by having part of your personal information.

This study included traditional banks, clicks to bricks banks, virtual Internet banking operations, and other financial institutions as well. It then compared

each company's privacy policy, as to how they informed consumers about their privacy policy, and what options consumers had in regards to "opting-out."

If you opt-out, you are telling to the company that you do not want your information to be shared with other companies that are not affiliated with the bank. Under the GLB, internet banking services still have the option of sharing your information with affiliates and/or marketing partners, but they should make you aware that they are doing so.

One problem has been that the privacy policy statements sent out to consumers by online banking companies and other banks are that they have been almost impossible for most people to decipher. There is so much legalize language that they are not exactly easy to read. There is a now a movement to make them easier for consumers to understand.

Opting out
Another common problem is that some online banking companies have made it quite difficult to opt-out of having your information shared with other unrelated businesses. You will find there are some online banking sites that make it nearly impossible to opt-out. They make you jump thru so many hoops that you just won't bother.

It should be easier with online banking and some online banks are taking steps to do that. Indeed some online banks have online forms you can fill out so that you can be finished with it in quickly.

The good news is that virtual online banking companies that offered standard banking services like checking and savings accounts scored the best in this study. Just be sure to checkout your online banking institution's privacy policy before you open an account with them.