

What to Do if You Have a Poor Banking History

There are a number of ways you can end up with a poor banking history. Common examples are:

- Cashing bad checks (or bouncing checks)
- Making late payments on a loan or mortgage
- Defaulting on a loan
- Having a bank foreclose on a mortgage
- Accruing overdraft fees (and not paying them off)
- Failing to pay bank fees

When you apply to open a checking account, there's a good chance the bank will run your name through *ChexSystems*. ChexSystems, Inc. reports individuals who "mishandle" checking and savings accounts and is somewhat similar to credit information bureaus.⁵¹ If your name winds up in the ChexSystems database, it can be extremely difficult to open a bank account. A negative ChexSystems report stays in the database for five years and can ruin your chances of opening a checking account during that period.

Tips for Staying Out of the ChexSystems Database:

- Don't write checks or use your debit card without having money in the account to cover them.
- Find out from your bank or credit union how long it takes for deposits to be credited to your account.
- Keep track of your balance and reconcile your checkbook with your bank's statement as soon as you receive it, or go online and check it.
- Before closing a checking account, make sure all checks have cleared, all automatic debits have stopped, and you have paid all fees.

Note: There are a very small number of banks that do not use Chex Systems and they do not advertise it, so they are not easy to find.

⁵¹ Ben Luthi. "What is ChexSystems?" *Experian*. <https://www.experian.com/blogs/ask-experian/what-is-chexsystems/>