Student Financial Handbook

An easy-to-use guide to managing your money

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bankofamerica.com/studentbanking

Setting and Sticking to a Budget

Overview

Establishing and maintaining a solid grasp of your finances is key to reaching your financial goals. When you have a thorough understanding of where your money goes, you can find ways to ensure that you're not overspending on "extras."

To set your budget, just follow these simple steps:

Step 1:
Record your total monthly income. This can include everything from paychecks to allowances from your parents.

Step 2:
Record all of your expenses. Every small purchase counts, so be sure to take this important step, tracking everything you buy for at least one full month.

Step 3:
Categorize your spending. Divide your expenses into "non-discretionary" spending, for housing costs, groceries, insurance, taxes, utilities, etc., and identify which ones vary from month to month. Then, note your "discretionary" spending, on things that aren't true necessities—like movie tickets, CDs, magazines and eating in restaurants.

Step 4:
Target discretionary spending. This is obviously the easiest area in which to cut expenditures. Consider creating new habits, like making your own coffee or going out to movies and dinner less frequently.

Always balance your income and your expenses monthly to make sure you're not spending more money than you earn. The budget planner on pages 58-59 will help make this even easier.

Try to set aside at least 10% of your income into a savings account.

Create a realistic plan and stick to it.

Chapter Highlight

Balance your budget

Always balance your income and your expenses monthly. Are you spending more money than you're making? Keep in mind where you can cut back. Entertainment bills are easy to trim; rent and utilities are harder. If you get paid by the hour, maybe you can pick up an extra shift without sacrificing your class work. Learning to balance your budget is the most important step on the road to your financial future.

Intro to Checking

Overview

A checking account is the most fundamental way to manage your money, and then access it to pay your bills. You can do this via banking centers, online banking, mobile banking, ATMs, debit cards and checks.

Checking account

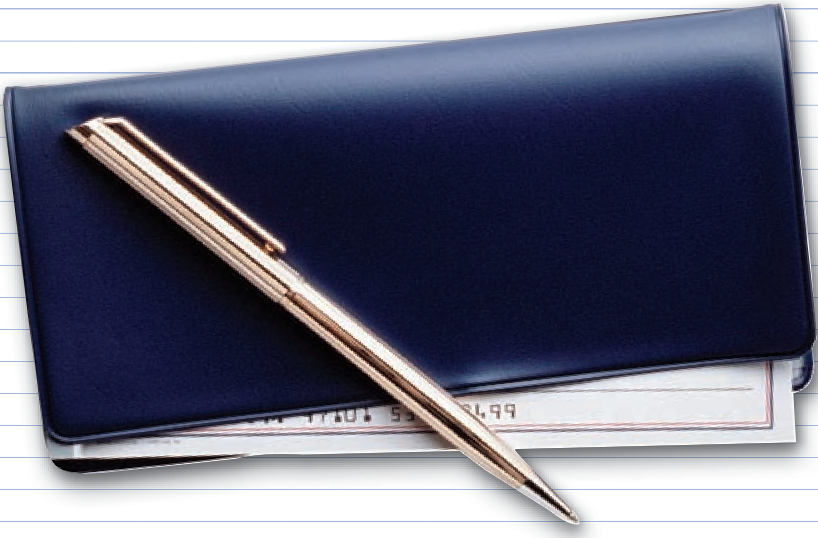
It's convenient. You can pay your bills online or with checks instead of going to a bank for money orders or cashier's checks. You also can use money from your checking account for purchases at stores and restaurants using checks or a debit card. And the money is taken directly from your account.

It helps you keep track of your money. It's hard to keep track of the cash in your wallet or sock drawer. Using your bank's online banking service, you can view account activity from your computer to see how much money you spent, how much you deposited and how much you have left. You also can use the check register that comes with your blank checks to keep track of your withdrawals and deposits.

Another way to keep track of your transactions is with online banking alerts. Some banks offer this service to their customers for free. With alerts, you can receive automated account alerts via your personal e-mail, cell phone or smart phone. You can customize your alerts to notify you of daily balances, direct deposits and more. Plus, alerts can help you prevent overdraft fees by alerting you when your checking account balance drops below a level that you set. You also can customize your alerts to notify you when a credit card payment is due and when your credit card balance reaches a certain amount so you avoid late and over-the-credit-limit fees.

In addition to helping you manage your money, a checking account gives you proof of payment showing the amount you paid, to whom and when. So if someone says you didn't pay him or her, you can just send a copy of the check you used. Some banks offer online banking so you can view and print check images online. Or, you can obtain copies from your local bank.

It saves you money. Checking accounts typically cost from $5.00 to $12.00 per month, although some banks offer ways to avoid the monthly fee, like keeping a minimum monthly balance or having direct deposit. But even with a fee, it's still cheaper than paying bills by money order or cashier's check (they cost $0.80 to $9.00 each).



Intro to Checking (continued...)

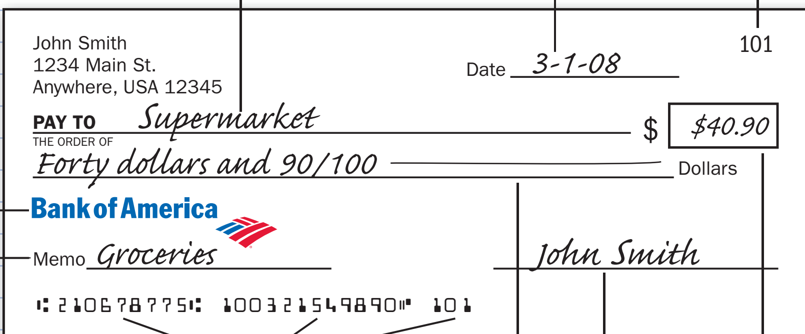
Here's an example of a check.

Bank Name. The bank on which the check is drawn.

Pay To. Write the name of the person or company that you would like to pay on this line. *Note*: Never leave this line blank.

Date. Write in the date that you write the check. *Note*: A check cannot be cashed before the date written in this spot.

Check Number. Each check has its own number.



Memo Field. Write yourself a note in this space to help you remember exactly why you wrote the check.

Transit Routing Numbers. The left number set is the bank's electronic address. The middle number set is your account identifier. The right number set is the same as the check number.

Amount Line. Write out the amount of the check (in words). Start at the beginning of the line. *Note*: This number represents the legal amount of the check.

Amount Box. Write the amount of the check in numbers, not words.

Signature Line. By signing on this line, the check can be cashed for the amount shown.

Once you open your checking account, always be aware of your balance and don't forget to consider checks that haven't cleared through the bank. Remember, you can track your debit card purchases 24/7 through many online banking services. It's also good to keep a record of the checks you've written in your check register. Hang on to your receipts from ATM withdrawals and debit card purchases, and record them in your register, too. That's the best way to know the total amount of money you have spent. Receipts might contain account information, so keeping them helps protect your account. If you discard your receipts, do so in a secure manner. Using a paper shredder is a smart option.

Below is an example of how to use a check register.

It is used to maintain an accurate record of your expenses and income. If you follow the instructions correctly, you'll see that it's very easy to keep the register up to date.

Enter the check number and any use of your debit card here.

Write the date of the transaction here.

Describe the type of transaction here.

Write the amounts of the payments by check or debit card in this column, plus any withdrawals from the ATM or any bank fees.

AD-Automatic Deposit • AP-Automatic Payment • ATM-Cash Withdrawal • DC=Debit Card • FT-Funds Transfer • SC-Service Charge • TD-Tax Deductible

NAME OR CODE	DATE	TRANSACTION DESCRIPTION	PAYMENT, FEE WITHDRAWL (-)			DEPOSIT CREDIT (+)		$ BALANCE	
	8/29	STARTING BALANCE						731	12
141	9/2	TEXTBOOKS	325	00	✔			- 325 406	00 12
	9/15	PAYCHECK				144	10	+ 144 550	10 22
DC	9/26	GROCERIES	40	90				- 40 509	90 32
	9/27	ATM WITHDRAWAL	30	00				- 30 479	00 32
142	10/1	CELL PHONE BILL	59	99				- 59 419	99 33

In this column, check off the transaction once it has posted to your account.

Record the amounts of any income or miscellaneous deposits in this column.

This column shows the balance in your account after each transaction.

Intro to Checking (continued...)

Debit cards (sometimes called check cards)

Another great thing about a checking account is that you can get a debit card linked to your account. Similar to checks, you can use your debit card to make purchases in stores and restaurants, but you also can make purchases at online retailers and get cash at ATMs.

They're convenient and safe. Debit cards are convenient and safe because you don't have to carry your checkbook or a lot of cash. Plus, you are typically required to enter your secret PIN (personal identification number) or sign the receipt to use the card. (Depending on the dollar amount of the transaction, some merchants no longer require a signature.) When you first get a debit card, you choose a PIN that only you know. Avoid obvious number choices like your address, phone number or birth date. Keep your PIN a secret; don't write it down or tell your friends. That way, no one can use it to get access to your cash except you.

Bank of America offers the Photo Security feature which puts your picture on the front of your Visa® Check Card to help prevent others from fraudulently using your debit card.

Your debit card account number is not the same as your checking account number for security reasons.

Name of the account holder.

Debit cards work anywhere Visa® or MasterCard® debit cards are generally accepted, as well as at your bank's ATMs. Remember that there may be charges for using ATMs that are outside your bank's ATM network.

Expiration date of the card (month/year).

They're fast and easy. Unlike a regular ATM card, a debit card has a Visa® or MasterCard® logo on it. This allows you to use the card to make purchases anywhere Visa® and MasterCard® debit cards are accepted. When you're asked to choose between debit or credit, remember that choosing debit means you'll need to use your PIN number, while opting for credit generally requires a signature. Either way, the amount is deducted from your checking account.

Cautions about using debit cards and checks

- You are responsible for the transactions you make and you must ensure that you have the funds to cover all expenses.
- To avoid becoming overdrawn on your account, you will need to keep track of all withdrawals and deposits. You can do this by using your online banking service or your check register.
- If you don't keep track of your transactions, you could easily write a check for an amount that is more than you have in your account. If this happens, your check will not clear and you could incur costly overdraft fees from your bank.
- Things you buy may cost more than you expect, due to accumulated overdraft fees.
- Using your debit card will not keep you from becoming overdrawn on your account.

What's the difference between a debit card and a credit card? When you make a purchase or obtain cash, a debit card withdraws money directly from your checking account while a credit card bills each transaction to your charge account. With a credit card, you must pay the funds back to the lender. See pages 28-38 from more information about credit cards.

Sometimes the unexpected happens. If your card is lost or stolen, contact your bank right away so that you won't be held responsible for fraudulent charges.

Don't use letters in my PIN because not all keypads have the alphabet in addition to the numbers.

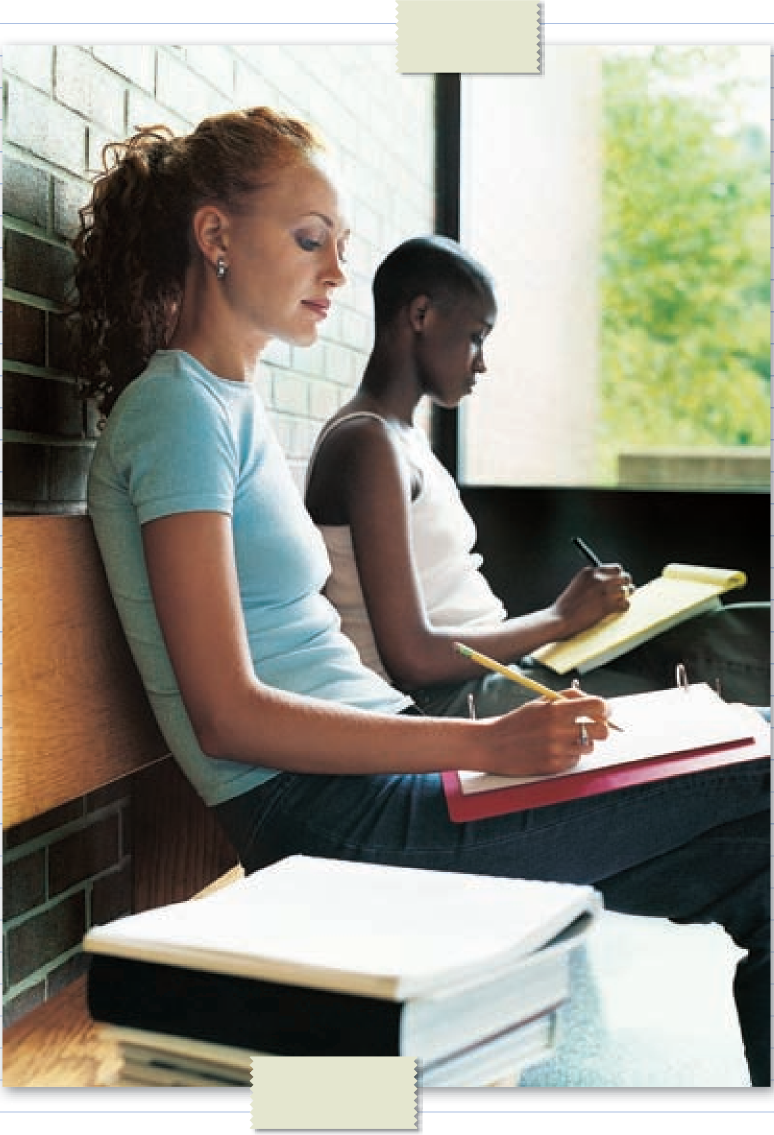
Intro to Checking (continued...)

Chapter Highlight

The best way to know how much money you really have available is to maintain an accurate record of what you deposit and what you withdraw from your checking account. It only takes a few minutes, and you'll save yourself a lot of trouble.

It's important to always have enough money in your checking account to cover the purchases you make. Banks charge a fee for each purchase where there are insufficient funds to pay for the purchase. These fees can really add up if you don't keep track of your checking account balance. So how can you avoid these fees?

- ✔ Use your bank's online or mobile banking service and your check register to keep track of your withdrawals and deposits.
- ✔ Use alerts to notify you when your checking account balance drops below the level that you set.
- ✔ Link your checking account to a savings account with an overdraft protection program, which transfers money from your savings account to your checking account when you don't have enough money in your checking account to pay for a purchase. The fee charged for this overdraft protection is usually much less than the fee you would otherwise be charged.
- ✔ Many banks also offer overdraft protection with a credit card. This can be useful if you don't normally keep enough money in a savings account for overdraft protection.



Savings 101

Overview

It's never too early to start saving money. Once you get in the habit of saving, you're on your way to building a strong foundation for your financial security. And it's also the best way to prepare for both planned and unexpected expenses.

How to choose your savings account

There are a few things you will want to keep in mind when choosing a savings account. First, the growth in your balance comes from the deposits you make, plus the interest you earn. Sometimes, this interest rate is referred to as rate of return or annual percentage yield. Also, make sure to be aware of any fees that may apply to minimum balance requirements or withdrawal limits.

How to grow your savings

Making recurring deposits is critical to building your savings. By setting money aside from your checking account to your savings, you'll find that cash is less likely to be spent. Plus, you'll feel good about growing your savings and being prepared should unexpected expenses arise.

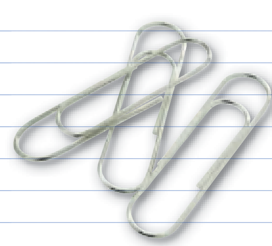
See what happens when you open an account with $500—just by leaving the money in your account, you make money over time. Your savings will grow even faster if you continue to make monthly deposits into the account.

Let's say you open your savings account with $500.

	6 Months	12 Months	18 Months
Starting Balance	$500	$500	$500
Add $50 per month	$300	$600	$900
Earn 2% interest	$6.75	$16.50	$29.25
Total	$806.75	$1,116.50	$1,429.25

How to use your savings account

Once you start depositing your money, make sure to keep track of your deposits, withdrawals and transfers so you don't get any unexpected service charges. In fact, if you connect your checking and savings into a combined statement, it's easy to track just how much money you have available in both accounts. After you've accumulated extra money for unexpected expenses, you may want to consider opening a separate savings account for special purchases.



Savings 101 (continued...)

Standard account types

Bank Savings

There are three basic types of bank savings accounts: regular savings, money market savings and certificates of deposit. It is important to know that you will not lose the amount you deposit in a bank savings account in the event of bank failure, since it is guaranteed by the Federal Deposit Insurance Corporation (FDIC). Your deposits are insured to the maximum extent allowed by law.

Here's how they work:

Regular Savings

- You earn interest on your balance.
- You can access your money anytime.

Money Market Savings

- Your interest rate increases as your balance increases.
- Your interest rate changes more often as the economy changes.
- You can access your money anytime, including by check.

CDs (Certificate of Deposit)

- The bank pays you a set interest rate on a set amount of money over a predetermined period of time. What that means is if you put money away for a set period of time without touching it, the bank will pay you a higher interest rate than it would on a regular savings account that you can withdraw money from.
- Generally the longer the term of the CD, from as short as seven days to as long as ten years, the higher the interest rate yield.
- This is a simple way to earn a higher fixed interest rate with no fees.

Fact:
Higher balances and longer terms can earn higher interest rates.

Fact:
If you save
$5 a day for
5 years, you'll
save $9,130.

Chapter Highlight

To start your savings plan, a good rule of thumb is to keep enough money in your checking account to pay your monthly bills and put the rest into savings.

Keep track of your deposits, withdrawals and transfers to avoid unexpected service charges.

Remember, it's never too early to start saving for your future.

Investing Fundamentals

Overview

In addition to a savings account, investing in stocks and mutual funds can help you save for the future. While stocks and mutual funds can potentially earn higher rates of return than regular savings accounts, they also can decrease in value depending on market conditions. Before you invest, do your homework and make sure you understand the risks.

Types of Investments

Stocks

A stock represents partial ownership of a corporation. Stockholders own a share of the company expressed as a percentage of the company and are entitled to a share of the profits. Stockholders even get to vote on company decisions.

Here's how they work:

The company profits may be divided among shareholders and are called dividends. Dividends are usually paid to stockholders quarterly. Stocks are traded on the open market, which means they can earn money when the value of the stock, the market value, increases. They also can lose money when the value decreases. This can be an advantage when the market value is up, but it can be a disadvantage when the market value goes down. You can see why "playing the stock market" can be tricky, so it's a good idea to get help from a brokerage firm or an advisor with experience.

Tip:
Unlike bank savings, you can lose the money you invest in stocks or mutual funds. So, be cautious when making your investment decisions and understand the risk factors.

Mutual Funds

A mutual fund is a portfolio of investments that is managed by a professional investment advisor. It is made up of stocks, bonds and other investments, and is owned "mutually" by many investors.

Here's how they work:

When you buy shares, the fund uses the money to purchase stocks, bonds and other investments. The profits are returned to shareholders monthly, quarterly or semiannually in the form of dividends. The advantage of mutual funds over individual stocks is small investors can benefit from the advice of a professional account manager who distributes the investments among different companies or securities in an effort to limit losses should a certain market or industry not do as well as expected.

But keep in mind that this has some of the same risks as buying stocks. Even though your investment is now "diversified" and someone is watching it for you, it still can decrease in value.

Chapter Highlight

Investing in stocks and mutual funds are great ways to help you save for the future, but they can be risky. Be sure that you understand how stocks and mutual funds work before you invest.

Online and Mobile Banking Tutorial

Overview

You do just about everything online. You keep in touch with friends, research assignments for school, buy music and rent movies. But what about banking?

Online banking is just like regular banking except it's more efficient and paper-free. You can access your statements, canceled checks and transaction records from your computer. Some banks offer a mobile banking service so you can do your online banking from your cell phone or smart phone. Here are a few more advantages of banking online:

Convenience: Online banking is generally available 24 hours a day, seven days a week, right from your computer or cell phone.

Easy Access: Oftentimes, you can access and manage all of your checking and savings accounts from one secure site. Online banking enables you to frequently check account balances and keep an eye on recent transactions.

Useful Tools: Many online banking sites have useful tools that help you manage your accounts, including bill paying tutorials, online transfers between your accounts, online statements, the ability to view check copies online, as well as information on how to plan for college and get a student loan.

Fact:
In 2007, 61 million households did their banking online. By 2012, it is expected that 82 million households will use online banking!

[1] www.the-infoshop.com

Good forms of ID:
- driver's license
- passport
- state ID

Getting started

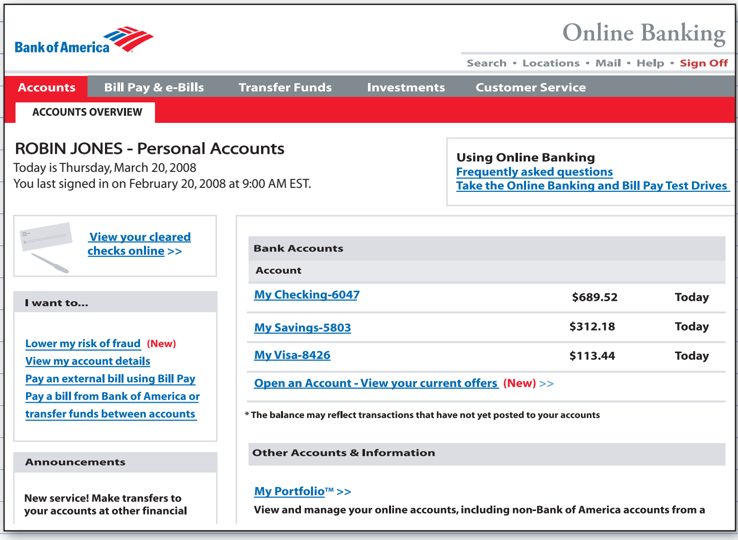
To start banking online, you'll probably have to provide ID and sign up at a bank branch. At some banks, you may be able to enroll online by accessing the bank's Web site from your home computer. Really, nothing could be more convenient.

Receive and pay your bills online

At some banks, you can get your bills delivered to you online. You'll see the amount due, the fees and other payment information—everything you would normally see on your paper bill. Then you can pay your bills when you want. You can even set up your online service to automatically pay regular expenses like rent or your phone bill.

View online copies of your paper statements

With many online banking services, you can see your past statements and print them whenever you want, often up to 18 months worth of past statements. There's less paper, less hassle and less risk of mail fraud or identity theft when you get statements online instead of through the mail.



Online and Mobile Banking Tutorial
(continued...)

Bank on the go with mobile banking

With mobile banking, you can use your cell phone or smart phone to securely access your online banking service. Some banks offer this service as a fast and easy way to review your account information, pay bills, transfer funds and find nearby ATM and banking centers.

Transfer money

Some online banking services offer you the capability to move money from one of your accounts to another and even to other banks or financial institutions electronically. Often, you can transfer money from checking to savings, or to a credit card or an installment loan as a payment. Some banks even allow you to transfer money to their other customers. This would be ideal for your parents to send you money—instantly.

Receive online banking alerts

With online banking alerts, you can receive automated account alerts via your personal e-mail, cell phone or smart phone. You can customize your alerts to notify yourself of low balances, daily balances, direct deposits and more.

Balance your checkbook

Online banking can help make balancing your checkbook easier. From your computer, you can view your account activity online and ensure that your withdrawals and deposits are accurately notated in your checkbook. You also can view the transactions that are pending. This means that the bank is still processing the transaction and the funds may not be withdrawn or deposited yet. If a transaction is pending for more than a few days (depending on the bank), it may be removed from your online banking register. For this reason, it's important that you keep track of what you spend in your check register (or by keeping your receipts) so that you know what has and has not cleared.

Update personal information

It's important to keep all your personal information—such as mailing address, e-mail address and phone number—up-to-date on all your accounts, so you don't miss receiving any important account notifications. You usually can make all your updates online using the bank's online banking service.

Chapter Highlight

Schedule bill payments

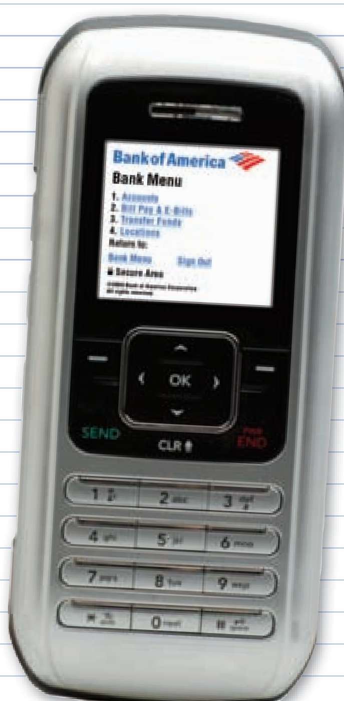
Once you've started banking online, the next step is to schedule payments to pay your bills automatically. That way, you'll never be late paying regular bills, such as your rent or cell phone, again.

Monitor your account

Using online banking alerts can help you manage your accounts. Some banks offer this service to their customers for free. With online banking alerts, you can customize your alerts to notify you of such things as your credit card payment due date and more.

Bank on the go

Mobile banking lets you do your banking from your cell phone or smart phone—24/7. It's a convenient way to bank.



Understanding Bank Fees

Overview

Whether you have a credit card, checking or savings account, it's important to know the types of fees that could be charged to your account. When you open an account with a bank you will receive a list of fees that are associated with your account. Here are some of the most common fees.

Overdraft and NSF Fees

Some banks charge an overdraft fee when it pays a check or other withdrawal—even though there is not enough money in the account to cover the transaction. To avoid costly overdraft fees, keep track of your withdrawals and deposits by using an online banking service and record your transactions in your checkbook register. You also can set up alerts—via your e-mail, cell phone or smart phone—to notify you when your checking account balance is under the level that you set.

If you incur an overdraft fee, your bank will send you a notice informing you:

- The item was paid
- Your account is overdrawn
- You've been charged an overdraft item fee
- The amount of the overdraft item fee

If a check that you write does not clear or "bounces" because there is not enough money in your account to cover the transaction, you could be charged a non-sufficient funds (NSF) fee, also called insufficient funds or returned items fees. Like overdraft fees, NSF fees could end up costing you a lot of money so it is important to keep track of your checking transactions.

Remember:
Your account balance and the amount of available funds in your account may be two different things. Overdraft fees are incurred when you withdraw amounts larger than your available funds, not necessarily the account balance you see.

Monthly Service Fees

Monthly service fees help some banks cover the costs of servicing the accounts that you have with them. You may see them called either monthly maintenance fees or monthly service fees on your monthly statement. You can prevent monthly service fees by checking with your bank to see if they will waive the fee if you maintain a certain balance or meet other criteria set by the bank. Some banks do not charge monthly service fees so it's a good idea to shop around and compare fees. By doing a little research, you could save some money.

Tip:
Consider setting up automated monthly transfers from other accounts if your bank allows you to do so. It can help you maintain the minimum balance in an account that you want to avoid incurring monthly service fees in.

Understanding Bank Fees
(continued...)

Overdraft Protection Transfer Fees

Many banks offer overdraft protection to help you cover your transactions should your account become overdrawn. If you do not have enough funds to cover a transaction and you have overdraft protection with your bank, funds from your linked account—such as a savings account or credit card account—will be transferred to your checking account (usually in $100 increments) to cover the amount that's overdrawn. Remember that you must have sufficient funds in your linked account to cover the amount of the overdraft, or it will not work. If the overdraft protection transfer is linked to a credit card, you could be charged a fee if that option is activated so check your terms and agreements.

ATM Fees

Using an ATM is a convenient way to access cash from your checking or savings account when you need it. In order to access cash from an ATM, you will need a debit card or Visa® check card issued by your bank. Keep in mind that you may be charged a fee for using the ATM, depending on which ATM you use. The fees may vary because each bank determines the fee that it will charge for using the ATM that it owns. You will find that some banks do not charge an ATM fee while others charge a hefty fee.

Late Payment Fees

Many credit card issuers charge late fees for payments that are made after the due date. To avoid costly late fees, always make your payments on time. Paying on time not only saves you money in late fees, it helps you build and maintain a good credit history.

Keep in mind that if your bank receives your payment late, in addition to being assessed a late fee, you could lose any promotional annual percentage rate (APR) and your account will be increased to a higher rate.

Payment Options

Most banks offer a variety of services to expedite delivery of your payment. Be sure to check with your bank to see which of the following payment options it offers:

- **Regular Mail Payments.** Always mail your payments at least seven days before the due date. Follow the payment instructions printed on your statement to ensure fast and accurate processing.

- **Online Banking.** Payments can be made online using a secure, online banking service. You can schedule your payments to be credited the same day, a date in the future or even recurring payments.
- **Banking Center.** Payments can be made at your bank and your payment could be credited the same day. Be sure to inquire about the payment cut-off time.
- **ATM Payments.** Using your ATM or debit card, payments can be made at any ATM that your bank owns. Payment crediting times may vary based on location.
- **Over the Phone Payments.** Payments can be made over the phone using an automated payment service or with a bank associate. There may be a fee for using this method of payment.
- **Payment Transfers.** Using your checking, savings or money market account, you can transfer funds to make your credit card payment. Be sure to inquire about the payment cut-off time.

If you are having financial difficulties, it's important that you contact your bank right away. Many banks will work with you on developing a repayment plan based on your individual needs.

Tip:
The payment due date on your credit card bill can change from month to month depending on holidays and other factors. If you are unable to pay the bill when you first receive it, write down your payment due date or set an alert to remind you so you can avoid late fees.

Understanding Bank Fees
(continued...)

Overlimit Fees

Most credit cards have a credit limit. Staying within your credit limit is an important part of building and maintaining a good credit rating as well as keeping down the cost of your credit. If at any time your balance exceeds your credit limit, even if your bank authorizes the charge, you may be assessed an overlimit fee. Additionally, exceeding your credit limit may cause early termination of any promotional rates and may cause your interest rates (APRs) to automatically increase.

You can avoid overlimit fees simply by knowing your credit limit and monitoring the balance on your account to ensure you don't exceed it. A convenient way to do this is with alerts that will inform you—via e-mail, cell phone or smart phone—when the balance on your account reaches an amount that you select. Also, you can use online banking to view your account information. When checking your balance to see how close you are to your limit, remember to factor in purchases you've made which have not yet posted to your account as well as any recurring payments you've scheduled or fees and finance charges that may post to your account.

Why do some banks authorize charges when you are over the limit? They do this because of your credit history with them and because they will try to help you avoid a potentially embarrassing situation when making a purchase. What's more, they recognize that you may occasionally face an unexpected event or emergency in which you need more credit than is currently available on your account.

Here are some factors that some banks use to establish your initial credit limit and any subsequent increases or decreases over time:

- Your annual income
- The amount of debt and available credit you currently have
- Your overall credit history
- How you use and maintain your credit card accounts

Chapter Highlight

It's important that you are aware of any bank fees that are associated with your checking, savings, credit card or other financial accounts. Bank fees can be costly so be sure that you obtain a list of fees from your bank and understand how they work.

Credit Card Basics

Overview

Before you start using credit cards, it's important to fully understand what a credit card is and how it works. How you use and manage your cards will have a big impact on your financial future.

What exactly is a credit card?

A credit card is more than just a piece of plastic. It's a loan from a financial institution that you can use, and then repay over time, by making monthly payments.

Your credit card will have a set limit, and you'll need to keep your total balance under that limit. When you make payments, you'll be repaying the amount you spent, plus interest—unless you make purchases only and pay your full balance each month.

When you use credit cards wisely, you'll have a simple way of managing your finances from month to month.

When you make purchases over the phone, they ask for the card number, expiration date, and your name as it appears on the card.

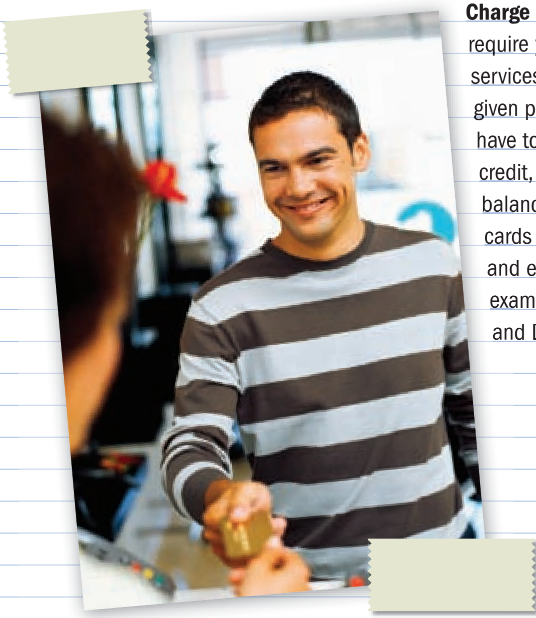
You also will need to provide the three-digit security code (sometimes referred to as CVV or CVC code) to prove that you have the card in your possession.

Credit Card Basics (continued...)

Three basic types of credit cards

General Purpose Credit Cards (revolving credit cards). These are credit cards that can be used to pay for just about anything, anywhere from clothes to food to flights. Visa® and MasterCard® credit cards are examples. If you want some flexibility in the amounts you spend and repay month to month, a general-purpose credit card will meet your needs. Keep in mind that if you don't pay off your purchases in full from one month to the next, interest is charged on the remaining balance.

Store Cards. Store cards (also known as single or limited-purpose cards) are credit cards that can be used only in a specific store or group of stores, or for a specific purpose. Department store cards and most of your favorite clothing store cards are examples. The interest rate on this type of card is typically a lot higher. Many stores may offer a special promotion (for example, 15% off your first purchase) when you open an account, but with the higher interest rate it may not be such a great deal in the long run.



Charge Cards. Traditional charge cards require you to pay for purchases or services in one lump sum within a given period of time. Usually, you don't have to pay interest for this type of credit, but you are required to pay the balance in full each month. Charge cards also may be called travel and entertainment cards—some examples are the American Express® and Diners Club® charge cards.

Benefits of using credit cards

- You don't have to carry cash or write checks.
- You can use it to pay for unexpected, emergency expenses, such as car repairs and medical bills.
- If occasionally you don't have cash available for necessities, such as food, water and gas, you can still purchase them.
- You'll receive a monthly statement, which includes a record of all your purchases, so you can track how much you're spending.
- You can consolidate all your spending into a single, monthly payment.
- You may receive purchase protection and extended product warranties.

Cautions about using credit cards

- You are responsible for the charges you make on the card.
- Things you buy may cost more than you expect, due to accumulated finance charges.
- If you mismanage your card account, you may incur fees such as overlimit or late fees.
- You'll need to set a budget, and make sure you can pay back whatever you're spending.
- Beware of impulse buying, which can break your budget.
- Late payments or over-limit charges can adversely affect your credit score.

Using credit cards responsibly

Credit cards offer convenience and give you a simple way to track all of your spending from month to month. That convenience requires a lot of responsibility. By managing your card usage properly, you create a track record that shows lenders you know how to manage credit. With a proven track record, lenders are more likely to lend you money for larger, more important purchases—like a new car or home.

Fact:
Four out of ten students have a credit card in their own name.[2]

[2] Sprint 2007 Student Monitor

Credit Card Basics (continued...)

No matter what you use your credit card for, it is important that you:

- Always pay at least the minimum amount due, as shown on your monthly statement. If you can pay your entire balance each month, that's even better, and will help you avoid high interest costs.
- Make your payments on time, every time.
- Make sure the total of all your transactions is within the limit for your card.
- Never spend more than you can afford to pay back. Consider this guideline: Credit card spending and other borrowing (not including rent or mortgage payments) should generally not exceed 20 percent of your after-tax income.

Watch out for these signs of credit trouble:

- You don't know how much you owe until the bills arrive.
- You often pay your bills late.
- You are often unable to make a minimum credit card payment.
- You frequently exceed or approach your credit limit.
- You use your credit lines or cash advances to pay bills.

How to deal with credit difficulties:

- Call your creditors and talk to them directly. You may be able to arrange a payment schedule.
- Stop using your credit cards.

Missing payments will hurt your credit rating and can expose you to interest rate increases with your existing card, or future loans. That's because, when creditors discover that you're unable to pay your bills, they're less likely to trust you with other loans or credit cards.

Chapter Highlight

Know your limit

Having a credit card makes it easy to spend more than you should or make impulsive (and expensive) purchases. Knowing your limit and understanding what you can afford is the key to using credit wisely.

Have a payment plan

If you're not paying the full balance on your credit card each month, be sure to keep track of how much you're charging, how much you're paying each month, and how much interest is being added to your unpaid balance. Making a plan to repay your credit card balance quickly and responsibly is the first step to good credit card management.

Credit card safety

Financial institutions are continually finding new ways to stay ahead of criminals and to protect you. If your card is lost or stolen or you think you're a victim of fraud, notify your issuing financial institution(s) immediately. If your card displays the Visa® or MasterCard® logo and you know your credit card number, Visa® and MasterCard® have toll-free numbers that can help:

Visa®
1-800-VISA-911

MasterCard®
1-800-MC-ASSIST

Name of Credit Card	Charges Made	What I'm Paying Each Month	Overall Balance	Interest Charges
	$	$	$	$

Credit Lab

Overview

Your credit score is an important number that indicates to potential lenders how well you've managed your finances in the past and how likely you are to repay your debts based on your credit history. Your score can have a big impact on whether you can be approved for a credit card or loan, and what the interest rate will be.

About your credit report

Your credit report is basically a complete file of your financial history. Creditors look at it to find out how you've handled your debts and whether you've consistently paid your bills on time.

Your report includes your credit score, along with details on all of your past and current debts. This report usually contains information such as:

- Whether you've paid your credit card and loan bills on time.
- How you've handled other expenses, like rent and utilities.
- How much credit is currently available to you, on credit cards you already have.
- The total amount of debt you have outstanding.

Your credit report may be checked by:

- Banks, as they determine whether to offer you a credit card or loan—and as they decide what interest rate to offer.
- Landlords who are deciding whether or not to rent to you.
- Employers who may want to offer you a job.
- Auto insurance providers, and even cell phone companies, who want to know if they can rely on you to pay your bills.

A strong credit history can help you get loans, insurance and an apartment when you need them.

How your score affects you

In general, the higher your score, the more likely you are to obtain the financial tools you need.

Industry Credit Score	
720-850:	Lenders see you as a moderate to low risk, and are more likely to give you a competitive interest rate on loans they provide.
620-719:	In this range, you will be considered a fair to good risk, but interest rates on loans provided may be higher. You should work to improve your score by paying your bills on time and reducing your outstanding debt.
350-619:	You may have difficulty obtaining credit cards, lines of credit or loans you need for a new car, a home, etc. So improving your score should be a priority.

By paying your bills on time, making at least your minimum payment due on your credit card each month, and staying within your credit limit, you'll earn a good credit rating that will help you get the things you need in the future.

How to check your credit report

There are three credit-reporting bureaus, and you have a credit report listed with each of them. You're entitled to a free report each year from each of the three bureaus so that you can check its accuracy. For details, you can visit each bureau online:

Equifax—www.equifax.com
Experian—www.experian.com
TransUnion—www.transunion.com

We recommend that you check your credit rating once each year to be sure that the information provided on your report is accurate. If you find any errors, report them to the bureaus immediately.

Credit Lab
(continued...)

Establishing good credit

Your credit history is a financial profile. So if you manage money well, banks and businesses will want to do business with you. Here are a few things that can help you build a strong credit history:

- Pay off credit cards, loans and service payments in full as soon as they are due. Avoiding late payments is a great start to your credit history.
- Budget for expenses like rent and utilities.
- Balance your checking and savings accounts to avoid overdrafts or bounced checks.
- Know and keep track of your total outstanding debts.
- Know how much credit you have available on your cards and how much you owe.

Credit Criteria

When you apply for credit—such as a car loan or credit card—creditors use specific credit criteria to determine if they should do business with you:

- **Ability.** Are you able to repay the debt? Do you have any valuable assets (like real estate, savings or investments) that you could use to repay credit debts if needed?
- **Stability.** Do you have a reliable job that provides enough income to support your spending?
- **Willingness to Pay.** Do you pay your bills on time?

Someone can turn you down for credit (a loan, insurance or employment) for many different reasons. If part of that decision was based on something in your credit report, they are required to share that with you. You should immediately write to the consumer credit reporting company that created the report and ask for a copy. If you ask for it in writing within 60 days after being turned down for credit, by law, the company has to give you a free report. This will help you to identify problem areas in your credit history so you can work to correct them for the future. Remember, if there's an error on your credit report, make sure you dispute it promptly.

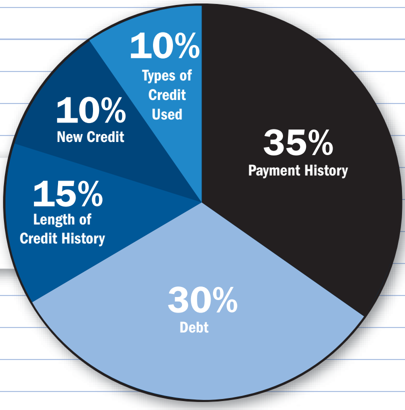
How bankruptcy can affect your credit score

If you file for bankruptcy, it will be listed on your credit report for up to 10 years. As a result, your credit score will decrease and it may be very difficult to obtain a loan, rent an apartment or find employment. Some issuers of credit may still extend credit, such as a personal loan or credit card account, even though you have filed for bankruptcy. Other creditors may give you credit only after a certain number of years or not until the bankruptcy is removed from your credit report.

An individual files for bankruptcy when they are unable to pay off their debt. A judge must declare the debtor to be unable to meet his or her debt obligations. When this happens, the individual is no longer responsible for repaying the debt. Under today's bankruptcy laws, it is very difficult to declare bankruptcy.

Fact:
Missing even one credit card payment can knock 50 to 100 points off a good credit score.[3]

What makes up your credit score?



[3] San Diego Union Tribune 6/17/05

Credit Lab
(continued...)

Chapter Highlights

Use your credit wisely and responsibly.

The most important step in establishing or rebuilding your credit score is to pay all your bills on time. In addition, carrying a credit card with a small line of credit can help—particularly if you've never had a credit card or other loan before.

Shop around.

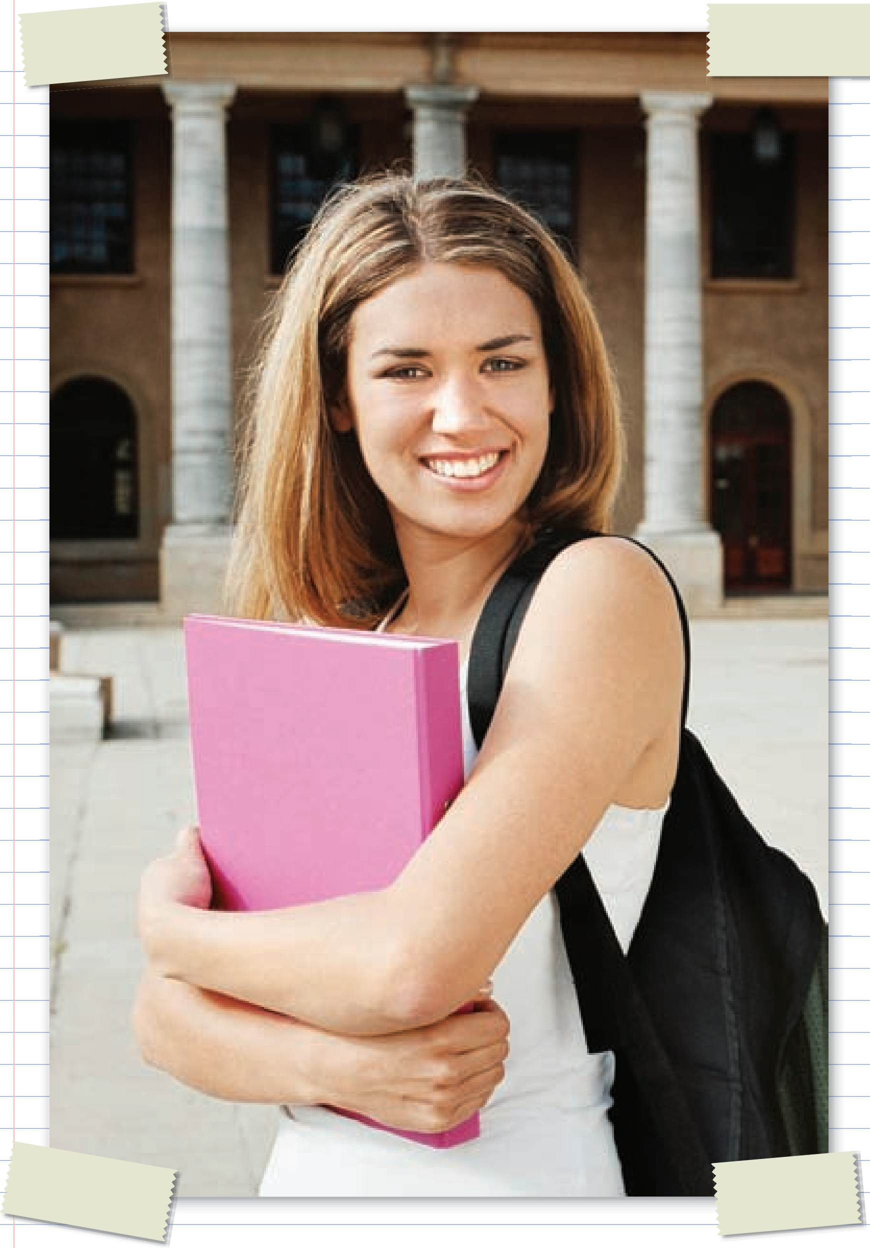
Check out a variety of credit products and services from various institutions to determine which offerings best meet your needs.

Understand your contract.

Don't rush into anything. Read the contract carefully and make sure you understand the fine print, like penalties for missed payments and what effect they could have on your interest rate. When you do sign a contract, get a copy for your records in case you have questions later.

Know the "real" cost.

Figure out how much something really costs when you buy it with credit. Be sure to add the interest and fees. Pay off as much of your balance as you can to pay as little interest as possible. Be sure to consider all other possibilities before buying on installment credit, and don't be tricked into thinking small payments are always easy to make.



Identity Theft Review

Overview

Identity fraud is one of the fastest growing types of crimes. But how does someone steal your identity anyway? And what do they do with it once they steal it?

Identity theft is a crime that happens when someone obtains your personal information and uses it for their personal gain. Depending on the type of information obtained, a thief can open bank accounts, buy things with your credit cards, get cash, rent an apartment, open new credit card accounts in your name and damage your credit rating.

Fact: According to a study in July 2006, approximately 15 million people were victims of identity theft during the prior 12 months. That's 28.5 people every minute![4]

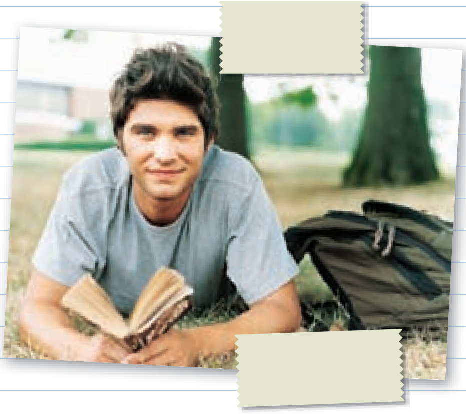
[4] idtheftcenter.org

Use online banking to keep current with all your recent transactions and keep an eye out for fraudulent transactions.

Here are a few things you can do to help protect yourself against identity theft:

- **Check your credit reports regularly**. Get them from all three credit reporting bureaus—Equifax, TransUnion and Experian. Keep an eye out for unauthorized or fraudulent accounts opened in your name. Even a misspelled name or wrong address could be a sign of trouble, so look for anything suspicious.
- **Watch your statements for unauthorized charges.**
- **Keep identity information private and in a secure location**—such as your Social Security number, credit or debit card number, and other personal information. Don't give such information out over the Internet or via phone, unless you trust the company and you've initiated the phone call.
- **Make sure Web sites are secure**—Whether you're shopping, banking or paying bills, you need to make sure that the information you share online is secure and won't be shared by anyone else. Anytime you are about to share personal information, such as your Social Security number, credit card information or bank account number, make sure the site is secure by looking for two things: a yellow lock in the lower right-hand corner of your browser and the "s" on the end of http: in the URL line of your browser. If you don't see these, find someplace else to shop.
- **Sign the back of your card**—and use photo ID credit cards if available from your card issuer.
- **Make a list of your credit card numbers**—and the phone numbers to call if you do need to report a lost or stolen card.

If you do see unauthorized charges on your credit card, report it to your credit card issuer right away.



Identity Theft Review (continued...)

Reporting identity theft

If you believe you are a victim of identity theft or fraud, below are steps you can take:

Step 1:

Contact one or more of the consumer credit reporting companies. The contacted company is required to contact the other two bureaus. When you contact the credit bureau, tell them you believe you are an identity theft victim and ask them to place a "fraud alert" on your file. This will prevent a thief from opening additional accounts using your personal information and doing more damage to your credit. Review your credit reports carefully to make sure there aren't any fraudulent accounts.

Step 2:

Close the accounts that you know or believe have been tampered with or opened fraudulently. Your creditors can include credit card companies, utilities, banks and other lenders. When you call each creditor, ask to speak to someone in the security or fraud department. Open new accounts using new PINs and passwords that only you know.

Step 3:

File a report with your local police or the police in the community where the identity theft took place. Once you've filed a police report, get a copy for your records in case your bank, credit card issuer or other creditors need proof of the crime. Having a copy of the police report can help protect you legally when dealing with creditors, even if the police never catch the criminal.

Step 4:

Finally, you should file a complaint with the Federal Trade Commission:

- Call the Identity Theft Hotline (toll free), **1-877-IDTHEFT**, or
- Mail the Identity Theft Clearinghouse, Federal Trade Commission, 600 Pennsylvania Avenue, NW, Washington, DC 20580 or
- Online at **www.consumer.gov/idtheft**

Identity Theft Hotline: 1-877-IDTHEFT

Chapter Highlight

Keep a close eye on your credit report

Make sure to review your credit reports often. You're entitled to one free report every 12 months from each of the three nationwide consumer credit reporting companies. It's as easy as going to **annualcreditreport.com**. Request a free report every 12 months from Equifax, TransUnion or Experian.

Equifax	TransUnion	Experian
www.equifax.com (800) 685-1111	www.transunion.com (800) 916-8800 or (800) 888-4213	www.experian.com (888) 397-3742

Intro to Planning and Paying for College

Overview

Creating a financial plan—scholarships, grants, work-study, family resources and loans—can seem overwhelming. If you break it down into a few small steps, it's easy.

Step 1:

Understand the total cost of your education.

Your school will provide you with its cost of attendance—tuition, fees, books and supplies, as well as living costs such as room and board, and personal expenses. Financial aid can be applied toward educational costs as well as living costs. How much your family can contribute affects the amount of additional resources you'll need.

Step 2:

Apply for financial aid.

Once you have determined the total cost of your education, you will need to fill out a **Free Application for Federal Student Aid (FAFSA).** The FAFSA is used to determine your eligibility for federal loans, college work-study programs, scholarships and other forms of financial aid. You can apply online at **fafsa.ed.gov** or submit a paper FAFSA. In order to sign the application electronically, you will need a Personal Identification Number (PIN). Both you and your parents can obtain a PIN from the U.S. Department of Education at **pin.ed.gov.** If you are a dependent student, both you and your parents must sign the FAFSA prior to submission. When you apply online you may receive your Student Aid Report (SAR) in as little as five days.

Step 3:

Review your financial aid package.

Your college financial aid advisor will create a financial aid package for you. It's based on financial need and may include scholarships, grants, work-study and loans. Your school will notify you of the types of aid for which you are eligible. See pages 46-47 for the types of funding available to you.

Did you know:
Applying for a loan with a qualified co-signer—such as a parent, close relative or spouse—could improve your chances of being approved for a loan.

Step 4:

Set up a budget.

When setting up a budget be sure to include all expenses and available funds for the entire school year. Learn more about Setting and Sticking to a Budget on pages 2-3.

Step 5:

Determine if additional resources are needed.

The last step is to determine if you need any additional resources in order to cover the total cost of your education. You also will need to determine how much you can afford to borrow in student loans. Your borrowing power is based on the income you expect to earn after leaving school—which determines the monthly payment you can afford. A common estimate of borrowing power is between 8% and 15% of your yearly income devoted to student loan repayment. If additional resources are needed, apply for what you need and can repay.

Applying for financial aid.

- ✔ Submit a **Free Application for Federal Student Aid (FAFSA)**. Be sure to have your Social Security number, driver's license, W-2 forms, prior-year tax return and bank statements handy before you start. You can submit your application online at **fafsa.ed.gov** or get a paper FAFSA application from you high school counselor or college financial aid advisor.

- ✔ Within four to six weeks, you'll receive a **Student Aid Report (SAR)**. It will provide you with the amount of money your family is expected to contribute toward your education (Expected Family Contribution or EFC). Your college financial aid office will use the SAR to create your financial aid package.

- ✔ Fill out a **Master Promissory Note (MPN)**. Your MPN and loan application will be combined on one document. It is used when applying for a loan with a specific lender. Once your lender receives school certification, your loan will be processed and you will be notified of your funds disbursement date.

Intro to Planning and Paying for College
(continued...)

Types of funding

While the cost of education is on the rise, there are many resources available to help you pay for college. You just need to know where to look. Here's an overview of the top financing options.

FREE Money

Scholarships and Grants

When looking for funds to pay for college, seek out the least expensive funds first. Grants and scholarships are considered **free money** because you usually do not have to pay them back. Scholarships are awarded to students who demonstrate high achievement in such fields as academics, music and athletics. Grants are given to students with financial need. To learn how to access grants and scholarships, see your guidance counselor or financial aid advisor.

AFFORDABLE Funding

Work Study

In addition to grants and scholarships, you may want to consider a work-study program. The Federal Work-Study Program (FWSP) provides jobs for undergraduate and graduate students who need financial aid. Your pay will be at least the federal minimum wage, but it also may relate to the type and difficulty of the work you perform. Your school sets the maximum number of hours you can work based on your financial need. To see if you qualify, contact your financial aid advisor.

Loans

Student loans—unlike scholarships, grants and work-study—are borrowed money that must be repaid, with interest. There are several types of federal loans available:

- ✔ **Federal Perkins loan**—is a loan that is subsidized by the federal government to help you pay for both undergraduate and graduate school. This type of loan is usually awarded to students who demonstrate exceptional financial need.

- ✔ **Federal Stafford loans**—offer fixed interest rates and flexible repayment options. These loans should be among the first you consider. There are two kinds of Stafford loans. The **subsidized Stafford loan** is for students who demonstrate financial need. If you qualify, the federal government pays the interest on the loan as long as you're in college at least half-time. The **unsubsidized Stafford loan** is for students who are unable to demonstrate financial need or who need a loan in addition to their subsidized Stafford loan. The federal government does not subsidize the interest on the loan. Instead, the borrower pays the interest.
- ✔ **Parent Loan for Undergraduate Students (PLUS)**—is designed for parents of dependent students who want to help cover the cost of college without tapping into home equity, retirement savings or credit cards. PLUS loans are made to parent borrowers regardless of income level.
- ✔ **Graduate PLUS loan**—is designed for graduate and professional students to help cover graduate education expenses. Graduate PLUS loans are made to student borrowers regardless of income level.

BRIDGE THE GAP Between What You Have and What You Need

Private loans

Private loans can help pay education expenses when scholarships, federal loans and other forms of aid do not cover all the costs. It can be used to help pay for tuition, books, living expenses and other education-related expenses.

Intro to Planning and Paying for College
(continued...)

Choosing a repayment plan

As a borrower, you have several repayment options to choose from. Here are just a few...

Loan Repayment Options

- ✔ **Standard plan**—allows you to make minimum monthly payments as low as $50 for up to 10 years. With the Standard plan, you pay less interest than you would with other plans.
- ✔ **Graduated plan**—offers lower payments during the first years of repayment, with the payments gradually increasing over time.
- ✔ **Income-sensitive plan**—allows monthly payments to vary from year to year, depending on your gross monthly income.
- ✔ **Extended payment plan**—extends your repayment period up to 25 years, if your first federal loan was dispersed on or after 10/7/98 and your Stafford and PLUS loans total more than $30,000.
- ✔ **Deferred payment plan**—allows you to defer principal and interest payments until graduation. Deferring payment will increase your long-term loan costs.
- ✔ **Student loan consolidation**—simplifies repayment by allowing you to combine all of your federal student loans into one, fixed rate loan.[5] And by extending your repayment terms, you can lower your monthly payment as well.[6]

[5] Your actual interest rate will be the weighted average of the interest rates of the loans being consolidated, rounded up to the nearest 1/8 of 1% but will not exceed 8.25%. Borrowers must be consolidating eligible federal loans that are in repayment or in grace period and they have a combined outstanding principal balance of at least $10,000. Private education loans cannot be consolidated under federal consolidation loan program.

[6] Extending your repayment term helps reduce your monthly payment, but the amount of the interest you pay over the life of your loan will increase. The repayment period may extend up to 30 years, depending on your loan amount. In addition, you may risk losing the deferment and forbearance rights of your current federal loans.

Sample repayment schedule*

The following chart will give you an idea of the monthly payments and the total amount paid for federal loans using the standard plan.

Amount Borrowed	120-Monthly Payments	Total Amount Paid	Suggested Income Level
$5,500	$63.29	$7,595	$9,493.56
$15,000	$172.62	$20,714.40	$25,893
$25,000	$287.70	$34,524	$43,155
$50,000	$575.40	$69,048	$86,310

* Based on a 10-year term and a fixed interest rate set by the federal government on Stafford loans of 6.8%.

Understanding your loan commitment

Understanding your responsibilities as a borrower is crucial to managing your payments and building a strong credit history. Keep in mind:

- You must repay your loan, including interest and fees.
- If you don't make your loan payments on time or honor the other terms of your loan agreement, your loan is subject to default.

Remember, if you're late with a payment, you could suffer more than a late fee. Depending on how late you are, you could become ineligible for further financial aid, deferments or forbearances until you catch up on your payments.

Intro to Planning and Paying for College
(continued...)

And if your federal loan goes into default, here are the consequences:

- The loan default will become part of your permanent credit history.
- Your loan will be assigned to a collection agency.
- The unpaid amount of your loan may become due and payable immediately.
- The IRS may seize your property, garnish your wages or sue you to ensure repayment.

When there's a Financial SOS

Here are some options:

✔ **Deferment**—gives you the option to postpone payments due to reasons such as economic hardship, unemployment, returning to school or serving on active duty in the military.

✔ **Forbearance**—permits you to temporarily postpone or reduce payments when you are having financial difficulty. You are responsible for any unpaid interest that accrues during this forbearance period.

✔ **The No Payments Option for PLUS and Graduate PLUS loans**—grants repayment forbearance, upon request, for a maximum of 48 months.

✔ **Forgiveness**—forgives the loan under some circumstances, such as permanent total disability or death. That means the loan does not have to be paid back.

Chapter Highlight

Know and understand your financial aid package. Know where your college money is coming from and whether you'll be responsible for paying it back. Grant programs provide money that you don't have to pay back, while loan programs require you to pay back the loan money in full, with interest, once you graduate or leave school. So if you don't need the money for education expenses, don't take it.

Financial Glossary

Annual Fee—The annual cost of membership to a particular credit card account. Most banks now have products without annual fees.

Annual Percentage Rate (APR)—This shows how much credit will cost you on a yearly basis.

ATM Card—A card used in an automated teller machine (ATM) to access a credit or a debit account to complete banking inquiries and fund transfers between accounts.

Average Daily Balance Computation Method—In this method, the balance is determined by: (1) calculating a daily balance for each day in the current billing cycle; (2) adding all the daily balances together; and (3) dividing the sum of the daily balances by the number of days in the current billing cycle. The daily balance for each day in the billing cycle is calculated by taking the beginning balance, subtracting payments and credits and adding an amount equal to the applicable Daily Periodic Rate multiplied by the previous day's daily balance, and, unless subject to a Grace Period, new transactions and fees.

Bankrupt—The status of being legally declared unable to pay your debts as they become due. Federal bankruptcy laws have been enacted that allow a person or organization to liquidate their assets to pay a reduced amount to their creditors or that allow the rehabilitation of the debtor by requiring creditors to accept reduced payments from future earnings of the debtor. A declaration of bankruptcy will remain on a person's credit report from 7 to 10 years and, in some cases, indefinitely. Declaring bankruptcy is generally considered a last resort.

Billing Cycle—The length of time between billing statements.

Charge Card—Unlike revolving credit card accounts, which allow you to carry balances from month to month, charge card accounts must be paid in full every month.

Chip Card—There are various types of Chip Cards, sometimes called Smart Cards. Electronic chips allow these cards to function in different ways: as credit cards, debit cards, frequent buyer or rewards program cards, ID cards, or any combination. Many college ID cards are Chip Cards. These may or may not be credit cards.

Co-Branded Card—A credit card sponsored by both the issuing bank and a retail organization, such as a department store or an airline. Cardholders may benefit through account enhancements that provide such benefits as discounts or free merchandise from the sponsoring merchant based on account usage.

Consumer Credit Counseling Service (CCCS)—This is a nonprofit organization that has helped thousands of people get out of debt. CCCS counselors can advise you on how to develop a budget you can live with and can be invaluable in helping you negotiate repayment plans with your creditors. This service is confidential. To reach the CCCS, call **1-800-251-2227**.

Co-signer (also called Joint Applicant)—The person who agrees to take responsibility for making sure the loan is repaid. Co-signers must be able to demonstrate the ability to repay the loan if the borrower fails to pay it. Sometimes called a co-applicant or co-borrower.

Cost of Attendance (COA)—Determined by the school, COA includes tuition, fees, meals, housing costs, books, supplies, transportation and personal expenses.

Credit Reporting Agencies—Credit reporting agencies collect and report vital facts about your financial habits, for instance, whether or not you pay your bills on time. These facts are then compiled into a "credit report," which can be accessed by potential creditors, employers, and the like. The three major credit reporting agencies are Equifax, Experian and TransUnion.

Credit Card—Unlike charge cards, these cards allow you to "revolve" your charges, that is, carry over portions of your balance from month to month. However, if you do not pay your balance in full, you are assessed finance charges. To protect your credit rating, be sure to pay at least the minimum amount due by the payment due date.

Credit Card Insurance—Protects you if you are unable to pay your credit card bills because of illness, unemployment, or other severe conditions. Under these circumstances, the insurance provider will pay your minimum payments.

Credit Line—The most you can charge on your credit card account. When you receive a new credit card, you're usually issued a set credit line. Under some circumstances, your card issuer may increase or decrease it.

Credit Report—The record of your credit history. It shows whether you pay your bills on time, how much debt you have, and the like. Your report is compiled by credit reporting agencies and released to lenders and others.

Debit Card—A convenient way to "pay as you go," this enhanced ATM card deducts money from your deposit account when you use it to make a purchase or get cash.

Default—Failure to repay a loan, which can result in serious long-term consequences.

Delinquency—Failure to make payments on time.

Dependent Student—You are claimed on your parents' income tax return or do not meet the criteria for an independent student.

Disbursement—Payout of loan funds by the lender.

Endorsed Card—A credit card endorsed by groups, such as colleges, sports teams, professional organizations or special interest groups, and offered to their alumni, fans or members. Typically, use of the credit card gives financial benefit to the endorsing organization.

Financial Glossary (continued...)

Expected Family Contribution (EFC)–Amount a student's family is expected to pay toward college costs, based on a federal formula. To calculate EFC, the government assesses the detailed financial information indicated on the FAFSA.

Equal Credit Opportunity Act (Implemented by Federal Reserve Regulation B)–This federal law protects your rights against being denied credit because of sex, race, color, age, national origin or religion. It also guarantees your right to have credit in your given name or your married name, the right to know why your credit application is rejected, and the right to have someone other than your husband or wife co-sign for you.

Fair Credit Billing Act–This federal act protects many important credit rights including your rights to dispute billing errors, unauthorized use of your account, and charges for unsatisfactory goods and services.

Federal Default Fee–Fee deducted from the loan proceeds and paid to the guaranty agency to cover the loan if the borrower defaults.

The Federal Family Education Loan (FFEL) program–This is the largest source of federal aid. Stafford, PLUS and Graduate PLUS loans are part of the FFEL program. The advantage of federal aid is that the government pays the interest on selected loans while the student is in school. Students don't have to make payments until they leave school or drop below half-time status.

Free Application for Federal Student Aid (FAFSA)–Application that students must complete to qualify for federal aid. This application must be resubmitted each year the student wishes to obtain financial aid.

Finance Charge–The total cost of credit including interest charges, service fees, late fees and transaction fees.

Fixed APR–Unlike a "variable APR," this type of APR does not automatically fluctuate based on changes in an index such as Prime Rate or LIBOR. A "fixed APR" does not mean that the rate is guaranteed not to change, though. Refer to your account terms for information on your issuer's ability to change the APR on your account.

Grace Period–Set time period during which the borrower doesn't need to make payments of principal or interest on certain loans.

Guaranty Agencies (Guarantors)–State agencies or private nonprofit institutions that insure student loans for lenders and help administer the FFEL program for the U.S. Department of Education.

Independent Student–Individual at least 24 years old, orphan, state ward, U.S. Armed Forces on active military duty or who is a veteran or married; or with a legal dependent other than a spouse.

Interest Rate—Credit is not free! When you use money provided by a bank or financial institution, the interest rate reflects the amount the organization charges for that service.

Introductory APR—A temporary, usually low, interest rate (expressed as an annual percentage rate) offered by providers to "introduce" you to their services. It will usually expire after a certain amount of time and may often be terminated based on your behavior, such as if you make a late payment or exceed your credit limit. Be sure to check the details of the offer for any limitations on an introductory APR.

LIBOR (London interbank offered rates) Five major London banks determine these fixed rates daily for specific maturities. What does this mean to you? LIBOR may be used by some banks instead of the Prime Rate to set APRs.

Master Promissory Note (MPN)—Legally binding contract between the borrower and lender that is valid for 10 years. Use of the MPN may eliminate the need to complete a new promissory note every year a loan is needed.

Minimum Payment—Shown on your credit card statement, the lowest amount you can pay every month, based on that month's balance at the time of billing.

Origination Fee—Charge deducted from the loan proceeds and paid to the federal government or lender to partially offset the cost of the loan.

Previous Balance—How much you owed your card issuer at the end of your last billing period. Prime Rate Prime means "best," and this rate is what banks charge their best commercial customers for loans. The prime changes often, is reported daily in *The Wall Street Journal*, and is used as a reference point for many businesses. For instance, the prime rate is used by some financial institutions to set the APR for credit cards.

Principal—Unlike interest or fees, the principal reflects the actual dollar amount of the purchases you made or the balance that remains on your loan or credit card account.

Secured Card—A great "first credit card" or way to reestablish your credit rating, this kind of card is "secured" by money you deposit in a designated savings account. For instance, if you deposit $500, your credit card limit generally will be for that amount. If for some reason you cannot pay your credit card bills, your credit card issuer will be paid from the savings account.

Servicing Agencies (Servicers)—Companies that administer loans for lenders and secondary markets. They issue monthly statements, handle billing and collect payments. If your lender transfers administrative tasks to a servicing agency, you'll receive your payment schedule from and make your payments to that agency.

Financial Glossary (continued...)

Smart Card—See Chip Card.

Student Aid Report (SAR)—Notification of the student's Expected Family Contribution (EFC) and eligibility for other federal financial aid.

Subsidized Interest—Interest paid on federal student loans by the federal government while the student is in college or during grace and deferment periods.

Transaction Fees—Fees charged when you make certain types of transactions. Transaction fees are typically assessed on balance transfers, cash advances and cash-like transactions, such as money orders, wire transfers and casino gaming chips.

Truth in Lending Act (Implemented by Federal Reserve Regulation Z)—This federal law protects you by making sure lenders tell you about the costs, terms and conditions at the time they offer you a loan or credit card.

Unsubsidized Interest—Interest paid by the borrower.

Variable APR—The variable APR (expressed in yearly terms) fluctuates based on an index, such as the Prime Rate or LIBOR.

Variable Interest—Rate of interest that is determined by an index, and periodically changes based on adjustments to the index.

Quick References

Student Aid and Loans
U.S. Department of Education
www.ed.gov

FAFSA Online
www.fafsa.ed.gov

FAFSA Forecaster
www.fafsa4caster.ed.gov

Making College Financial Planning Count
www.elearning.makingitcount.com

Ultimate Money Skills
www.bankofamerica.com/moneyskills

Annual Credit Report Request Service
www.annualcreditreport.com
1-877-322-8228

Consumer Credit Reporting Companies
- Equifax
  www.equifax.com
  1-800-685-1111
- TransUnion
  www.transunion.com
  1-800-916-8800
  1-800-888-4213
- Experian
  www.experian.com
  1-888-397-3742

Identity Theft
Federal Trade Commission
www.consumer.gov/idtheft
1-877-IDTHEFT

Financial Planning Help
www.practicalmoneyskills.com

College Budget Planner

	Budgeted Amount	Actual Amount	Difference
INCOME: (per month)			
Wages	______	______	______
Savings/Allowance	______	______	______
Scholarships/Grants	______	______	______
Student Loans	______	______	______
Parent/Guardian Contribution	______	______	______
Miscellaneous Income	______	______	______
Total Income	______	______	______
EXPENSES:			
EDUCATION: (semester cost ÷ number of months in a semester = monthly cost)			
Tuition	______	______	______
Books/Lab Fees, Supplies, etc.	______	______	______
(Calculate the rest of these expenses per month.)			
HOUSING:			
Rent/Board	______	______	______
Utilities (water, electric, etc.)	______	______	______
Cell Phone/Home Phone/ Internet	______	______	______
Furniture/Maintenance/ Trash Removal, etc.	______	______	______
TRANSPORTATION:			
Car Payment	______	______	______
Insurance	______	______	______
Gas	______	______	______
Repairs/Maintenance	______	______	______
Travel (taxi, bus, train, etc.)	______	______	______
FOOD:			
Campus Meal Plan	______	______	______
Groceries	______	______	______
Eating Out, Lunches, Snacks	______	______	______

(continued on next page)

DEBT PAYMENTS:

Credit Cards			
Student Loans			
Other Loans			

PERSONAL:

Clothing/Laundry			
Haircare (cuts, style, etc.)			
Health (prescriptions, insurance, doctor/dentist, etc.)			
Pet Supplies/Food/Vet			

ENTERTAINMENT/RECREATION:

Cable TV/Videos/Movies			
Computer Expense			
Hobbies			
Subscriptions and Dues			
Gifts for Family/Friends			
Vacations (Start thinking about Spring Break now and budget accordingly.)			

SAVINGS ACCOUNT DEPOSITS:			

MISCELLANEOUS EXPENSES:

Total Expenses			

Total Income			
Total Expenses			
Income Minus Expenses			

Notes

Test Your Knowledge

Take this short quiz and test your financial knowledge.

#1 Building Good Credit

Nora was only 19 but very concerned about having good credit. She had one credit card and made sure she paid her bill on time every month, even if it meant paying other bills late—or even skipping payments. She decided to request a free copy of her credit report and was shocked at her poor credit score.

Why was Nora's credit score bad?

a) She didn't have enough credit cards
b) She had a history of late payments
c) She was under 21
d) All of the above

#2 Shopping Online

Tara does most of her shopping online with her debit card, but is worried about identity theft. She only uses secure sites, she changes her password often and she checks her monthly statement for any purchases she didn't make. But she feels like there could be a better way to stay on top of her account.

What is the easiest way for Tara to track her debit card purchases?

a) She can call her bank every day
b) She's already doing everything she can
c) She can make no more than one purchase a day
d) She can track her purchases anytime with online banking

#3 Paying for College

Justin wanted to go to college but he didn't think he could afford it. His grades were average and he didn't excel at any sports. In addition, his parents wanted him to be responsible for paying for some of his college expenses, but he isn't eligible for any scholarships or grants.

What other types of funding can he apply for?

a) Work-study program, Stafford loan and private student loan
b) Car loan
c) Credit card cash advances
d) All of the above

See page 64 for answers to quiz.

Test Your Knowledge (continued...)

#4 Saving Money

Ron was trying to save money for college, but each time he gets paid from his part-time job he seldom has any money left after he buys gas and goes out with a friend. He doesn't spend a lot, but he never seems to have anything left over to save.

What's the smartest way for Ron to start saving money?

a) There's nothing he can do
b) Withdraw smaller amounts of cash from the ATM
c) Treat his savings as a fixed expense and set money aside first—before he goes out with friends
d) None of the above

#5 Using a Debit Card

John was hanging out with some friends on a Friday night when they all decided to go to the movies. But John didn't have enough cash with him. Luckily, he did have a debit card.

John can use his debit card at an ATM to:

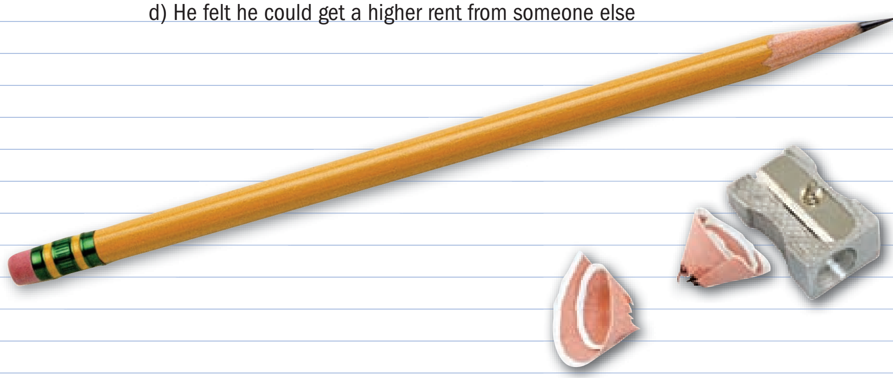
a) Withdraw cash without a PIN
b) Withdraw cash that he can pay back over time
c) Withdraw cash from his checking account
d) Order his movie tickets online

#6 Renting an Apartment

Vicki got three credit cards in college and maxed them all out quickly. Her payments were always late. After she graduated, she got a job and made decent money. So, she was shocked when a landlord refused to rent an apartment to her.

Why did the landlord refuse to rent the apartment to Vicki?

a) She didn't fill out the application correctly
b) He only rented to married couples
c) Vicki had a bad credit rating
d) He felt he could get a higher rent from someone else



#7 Staying out of Debt

Brian never seemed to have any money so he decided to put together a budget. The first thing he did was figure out his monthly income. Then he wrote down his expenses (car payment, cell phone, insurance, etc.), followed by his variable expenses (gas, food, movies, music, games, etc.). It turned out his expenses were greater than his income.

What's the easiest way Brian can adjust his budget so his expenses are LESS than his income?

a) Cut some of his variable expenses
b) Cut some of his fixed expenses
c) Get a pay raise
d) Add a second source of income

#8 Shopping at the Mall

Alex financed his new computer at the store—no payments or interest for six months. He enjoyed his new computer for free for six months, but then was hit with a monthly bill that was larger than he expected, at a rate that was also larger than he expected.

What happened?

a) He didn't realize that he might have to pay ALL the interest once the six months were up
b) He didn't plan ahead and budget for when the payments would be due
c) He didn't pay off any of the computer when he had the chance to take advantage of the free period
d) All of the above

#9 Taking a Road Trip

Tom had been planning a summer trip with friends for a long time. He saved money and budgeted out every expense. Unfortunately, on the first day of his vacation, Tom left the envelope with all his money on a diner counter. The trip was canceled.

What could Tom have done differently?

a) He could have put the cash in his suitcase, only taking out what he needed at each stop
b) He could have split his cash into multiple envelopes
c) He could have put his money into a checking account and used a debit card for purchases
d) He could have eaten at a different diner

Test Your Knowledge (continued...)

#10 Buying a Car

Wendy is heading off to college so she decided it was time to buy a car. She finally gave up hope that her parents were going to buy one for her, but she knew it would take years to save up enough money to buy a car on her own.

What should Wendy do first before applying for a car loan?

a) Get a letter of recommendation from a teacher
b) Apply for car insurance
c) Tell her parents that her college requires her to have a car
d) Check with her local bank to see if she has enough credit history to qualify for a loan

Test Your Knowledge Answers

How did you do?

Question #1 Answer: b) She had a history of late payments
Refer to page 36 for tips on building good credit.

Question #2 Answer: d) She can track her purchases anytime with online banking
Check out pages 18-21 for more information on using online banking.

Question #3 Answer: a) Work-study program, Stafford loan and private student loan
To learn more on planning and paying for college, read pages 44-51.

Question #4 Answer: c) Treat his savings as a fixed expense and set aside money first—before he goes out with friends
Go to pages 12-15 to learn how you can save for the future.

Question #5 Answer: c) Withdraw cash from his checking account
Refer to pages 8-9 to learn more about using a debit card.

Question #6 Answer: c) Vicki had a bad credit rating
Take a look at pages 34-38 to see how your credit score affects things like obtaining a loan, renting an apartment and finding a job.

Question #7 Answer: a) Cut some of his variable expenses
Go to pages 2-3 for tips on Setting and Sticking to a Budget.

Question #8 Answer: d) All of the above
To learn how to save money, go to pages 12-15.

Question #9 Answer: c) He could have put his money in a checking account and used a debit card for purchases
Check out the Intro to Checking section on pages 4-10.

Question #10 Answer: d) Check with her local bank to see if she has enough credit history to qualify for a loan
Refer to page 36 to learn more on building good credit.

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