

How Do I Pay for That?

Understanding
checking accounts,
credit cards, and
cash



||B|| Broadview

Federal Credit Union

The mission of Broadview Financial Well-Being is to guide and encourage individuals to focus on achieving economic stability—using innovative tools, making informed decisions, and encouraging positive habits.

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BANKING

101

Savings account



A savings account is held at a financial institution like a bank or credit union. It offers a modest earned interest rate.

Checking account



A checking account is used to deposit and withdraw your money for regular transactions. A debit card or checks can be used for purchases. Some checking accounts earn interest and some do not.

Certificate of Deposit (CD)



A certificate of deposit is similar to a savings account, but it holds money for a fixed term, for a few months to a few years. It may offer a higher earned interest rate than a savings account.

How do I open a savings or checking account?

Consult your parent or guardian. Visit your financial institution of choice and, depending on your age, you may need a government issued ID or a license to open an account.

Writing a CHECK



To pay for items using a checking account, writing a check is one option that can be given to the person or business as a form of payment. To write the check, the account holder must complete the following items on the check in order for it to be accepted: date, payee (to whom the check was written), amount in numerical form and written out, and their signature. Immediately record the check into the check register.

In the example below, Sally Smith wrote check #301 to Gas 'N' Go for \$15.78.



Writing a Check Description

1 Personal Information—The check holder's name and address; may include a phone number. DO NOT put any other personal information on your checks, for safety reasons.

2 Check Number—Numbers used to identify checks. The check numbers are printed sequentially and should be used in this order.

3 Date—The date the check is being written.

4 Pay to the Order of—The name of the person or business to whom the check is being written.

5 Amount of the Check in Numerals—The amount of the check written numerically. Write the number directly next to the dollar sign to prevent someone from adding numbers to change the amount of the check.

6 Amount of the Check in Words—The amount of the check written in words. Start at the far left of the line. Write down the dollar amount in words first, then write "and" after the words, and finish by writing the amount of cents over the number 100. Draw a line from the end of the writing to the end of the line.

7 Memo—Space to identify the reason for writing the check. It is a good place to write information requested by a company when paying a bill, such as the reason for the payment.

8 Signature—The account holder's signature, indicating they agree to the transaction.

9 Identification Numbers—The first set of numbers is the routing number to identify the account's financial institution, the second set is the account number, and the third set is the check number.

On September 1st, write check #300 to "Bob's Book Store" in the amount of \$25.50 for school supplies.

Sally Smith 500 Great Street Yourtown, NY 55555	300
	Date _____
Pay to The Order of _____	\$ <input type="text"/>
_____ Dollars	
Memo _____	Authorized Signature _____
012354678 : 1234567890 : 300	

On September 22nd, write check #301 to "Broadview FCU" in the amount of \$10.00 for sunglasses. Proceeds from the sale go to charity!

Sally Smith 500 Great Street Yourtown, NY 55555	301
	Date _____
Pay to The Order of _____	\$ <input type="text"/>
_____ Dollars	
Memo _____	Authorized Signature _____
012345678 : 1234567890 : 301	

Using a DEBIT CARD

A debit card is a plastic card which looks like a credit card, but is electronically connected to the cardholder's bank account for purchases or to obtain cash. Money spent in these transactions is automatically taken from the designated account. Cards transfer funds at retail terminals (checkout) with either a magnetic strip, microchip, or embedded contactless chip (a.k.a. "tap to pay").

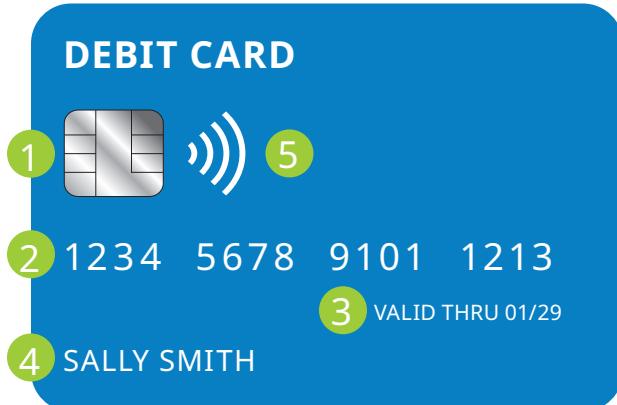
When swiping or inserting the card at checkout a personal identification number (PIN) or signature may be required. This is intended to confirm that the user of the card is authorized to access the account. The microchip and tap to pay both use a one-time code that securely sends card information for



payment to the bank. Note that no PIN or other ID is needed to make a contactless purchase. Regardless of how you use the terminal, be sure to tell your bank or credit union if the card is lost. They will help protect your account, prevent any further usage of that card, and issue a replacement (a fee may apply).

To obtain cash from your account using the debit card, you can request "cash back" at some merchants or use an automated teller machine (ATM). The ATM at your bank or credit union is usually free, but using other ATMs and getting "cash back" at merchant terminals can result in fees. Consult your bank or credit union to learn how to avoid fees when using these services.

FRONT



BACK



Using a Debit Card Description

1 EMV Chip—The chip makes it more difficult for the debit card to be reproduced and used as a counterfeit. EMV stands for "Europay, MasterCard, and Visa".

2 Account Number—This sixteen digit number is the account number that links all purchases made with the card to a designated bank account.

3 Expiration Date—The debit card is valid and may be used until this date.

4 Cardholder's Name—The cardholder's full name is written out and displayed.

5 Contactless Chip—This chip activates payment when placed just a few inches from the terminal. No PIN or signature is usually needed so safeguard your card and report IMMEDIATELY if it is lost.

6 Magnetic Strip—When the debit card is swiped, the magnetic strip automatically withdraws funds from the cardholder's account. A PIN (personal identification number) may be needed for some transactions, or at an ATM.

7 Authorized Signature—The cardholder must sign in the signature box on the back of the debit card to authorize payments.

8 Security Code (CVV)— This 3-digit code is used as extra verification and security when using the debit card online or over the phone. This number is not stored by merchants. CVV stands for "card verification value."

Why is it important to sign the back of a debit card?

Transaction TRACKER



All transactions including deposits, checks, debit card purchases, additional fees, and ATM use should be tracked in real time. Tools for doing this can include an app or simple spreadsheet on a mobile device, or even a small notebook. Upcoming bills paid from your checking account, such as phone or car insurance, should also be tracked this way by recording when they are due and paid.

Record monetary amounts for purchases in the payment/debit column and deposits in the deposits/credit column. A running balance of all unspent funds is kept in the far right balance column.

In the example below, the deposits from September 1 and September 2, check 301, 302 and 303 have been recorded in the tracker. On September 9th, Sally has recorded her phone bill because it will be paid that day by "autopay" from her checking account. This transaction is also shown below in the tracker.

1 DATE	2 NUMBER	3 DESCRIPTION OF TRANSACTION	4 PAYMENT/DEBIT (-)	5 DEPOSIT/CREDIT (+)	6 ✓	7 FEE (IF ANY)	8 BALANCE \$275.00
9/1	DEP	Deposit		144	01		+144 01
		September Paycheck					419 01
9/2	301	Gas 'N' Go	15	78			-15 78
		Fuel					403 23
9/2	DEP	Deposit		136	00		+136 00
		Reimbursement					539 23
9/3	302	Aspen Properties	375	00			-375 00
		Rent					164 23
9/6	303	Hungry Man	27	32			-27 32
		Food					136 91
9/9	AUTOPAY	B-Mobile	3	50			-80 50
		Monthly Bill					56 41

Transaction Tracker Description

1 Date—The date the check was written or the day the transaction was made.

2 Number—The number of the written check. If a debit card or ATM was used, write DC or ATM.

3 Description of Transaction—The person/business the check was written to or where the ATM/debit card was used. The gray line can be used to write the memo for budgeting purposes.

4 Payment/Debit(-)—The amount of the transaction; deducted from the balance.

5 Deposit/Credit(+)—The amount of the transaction; added to the balance.

6 ✓—A box used to track whether the transaction is reported on the monthly bank statement when reconciling at the end of each month.

7 Fee (if any)—Any extra fees charged to the account; listed on the bank statement.

8 Balance—The balance, which is a running total, calculated by adding or subtracting each transaction; keep this updated.

Let's enter these together in your check register:

8/1—Deposited paycheck in the amount of \$110.30 (keep running balance)

8/3—Check number #100 payable to buy groceries at Shop Rite for \$25.62

Now try it on your own.

Record the following transactions in your checking account register:

8/5—Received birthday money—deposited \$50 cash

8/7—Wrote check #101 to NYSDMV to pay for new license—\$30.80

8/10—Wrote check #102 to Youth Club for after school activity—\$25.40

8/15—Deposited paycheck for \$98.30

8/16—Used debit card to pay The Art Store for school supplies—\$18.09

8/20—Wrote check #103 to Salvation Army for donation—\$10.00

How much money is left in your account after recording these transactions? \$ _____

Peer-to-Peer (P2P) PAYMENTS

What is P2P payment?

Peer-to-peer payments, or P2P payments, let you send money directly to another person. P2P payment systems — also known as money transfer apps, like Venmo, PayPal and Cash App — allow users to send and receive money from their mobile devices through a linked bank account or card.

How do P2P payments work?

With P2P payments, users can quickly send funds while keeping their bank account details private. All that's required to send a payment is the recipient's email address or phone number. Generally, these services are free. It is a good idea to choose a service that your friends and family already use. That will make exchanging money more convenient. Popular P2P payment services include Cash App, PayPal, Venmo and Zelle.

Are P2P payments safe?

Though all of the major P2P systems encrypt, or shield, your financial information, some have been hacked or used by scammers. Review a provider's security procedures and fraud policies before signing up, and take precautions when using P2P payment services, because once you've authorized a payment, you might not be able to get your money back. Banks and credit unions are not responsible for money lost from P2P scams.

How quickly do P2P payments post to the recipient's account?

Transaction notifications are sent right away, and you can immediately use the money you receive within a P2P app to send money to someone else within the app. But if you choose to transfer your money out of the app, those funds may take one to three business days to arrive in your linked bank account. Some providers are faster (funds from Zelle transfers are available in your bank account within minutes), and some also offer instant transfers for a fee.



P2P Safety

Though convenient, the P2P environment is not immune to scam attempts. There are several precautions and strategies you can adopt to safeguard your money and personal information:

- Only send money to people you know
- Use cash and credit cards in higher-risk situations
- Be wary of texts, calls or unsolicited requests
- Secure your device and enable two-factor authentication on bank accounts
- Report fraud attempts Use cash and credit cards in higher-risk situations
- Be wary of texts, calls or unsolicited requests
- Secure your device and enable two-factor authentication on bank accounts
- Report fraud attempts

What is your **CREDIT CARD IQ?**



Circle true or false for each question

1. All credit cards have the same interest rates and fees.	TRUE	FALSE
2. Most credit cards have a credit limit.	TRUE	FALSE
3. If I pay my credit card in full by the due date, I will not owe any interest.	TRUE	FALSE
4. There is no penalty if I pay my balance after the due date.	TRUE	FALSE
5. Credit cards are a short-term loan.	TRUE	FALSE
6. Credit card companies charge merchants a percentage of the price of anything purchased with a credit card.	TRUE	FALSE
7. The interest rates on credit cards is usually very high	TRUE	FALSE

CREDIT CARDS

Weigh the advantages and disadvantages

ADVANTAGES

DISADVANTAGES

Credit Cards

DID YOU KNOW?



1 Credit cards are not free money. They let you delay payment by borrowing money from your future self. To avoid trouble, don't charge anything you can't afford to immediately pay back. Live within a budget, pay bills on time, and keep track of your charges.

2 The longer you take to make your payments, the more you have to pay. Making only the minimum payment will add interest to your original purchase amount. If you bought a candy bar, would you rather pay \$1 for it right now, or \$3 for it later?

3 When used correctly, credit cards can help you build credit. This will come in handy in the future. A good credit score tells lenders they can trust you to pay them back if they lend you money for a car or a house, so you'll get a better interest rate.

4 Don't use your credit card all the time. There are many other ways to pay for things you need. Cash, checks, and debit cards are better tools for spending within your means. Prepaid cards usually come with extra fees, and they're unnecessary if you already have a checking account.

5 Debt isn't always bad. Credit can help people make investments that they couldn't otherwise afford, like a car, house, or education. However, people need to be careful, because too much debt can be challenging to pay back.

6 Having a credit card has certain advantages over carrying cash. If your credit card gets stolen, a quick phone call to your credit card company will prevent a thief from accessing your credit line. Some credit cards also reward you for using their card for purchases, or even making your payment on time!

Match the title with the corresponding letter on the credit card statement below.

_____ Minimum Payment	_____ Available Credit	_____ Payment Info	_____ The Credit Card Act of 2009
_____ Account Number	_____ Payment Coupon	_____ Amount of Credit Line	_____ Transactions
_____ Rate Info	_____ Closing Date	_____ Due Date	_____ Account Summary

CARD Statement																																							
A Account Number Statement Closing Date Credit Line Available Credit	B 1234 1234 1234 1234 11/09/XX \$2,100.00 \$1,576.80	C TERESA TORRES 123 ANY STREET CITY NY 12345	D																																				
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PAYMENT ADDRESS 123 ANY STREET LOS ANGELES CA 90030-0086																																							

Take charge of credit cards

Vocabulary LIST



TERM	DEFINITION
Annual Fee	A yearly fee that may be charged for having a credit card.
Annual Percentage Rate (APR)	The cost of credit expressed as a yearly interest rate.
Credit	Receiving goods or services now and paying for them later.
Credit Card	A plastic card with a line of credit that has been established in advance.
Credit Card Offer	This displays the cost of a credit card, including fees and interest.
Credit Limit	The maximum dollar amount that can be borrowed.
Due Date	The date the minimum payment must be made.
Introductory Rate	The APR charged during the credit card's introductory period after a credit card account is opened.
Late Payment Fee	Fee charged when a credit card holder does not make the minimum monthly payment by the due date.
Minimum Payment	The smallest amount that must be paid on a credit card account each month.
Over-the-Limit Fee	Fee charged if the credit card account balance goes over the set credit limit.
Penalty APR	The interest rate charged on new transactions if the penalty terms in the credit card contract are triggered.
Pre-Approved	When someone has passed an initial credit check.
Returned Payment Fee	Fee charged if the cardholder makes a payment, but does not have enough money in that account.

CREDIT

Basics

Your present self impacts your future self. When borrowing, you are spending future income.

You have used credit if you receive money, goods or services in exchange for your promise to pay back a definite sum of money at a future date. Credit involves borrowing. Credit availability depends in large part on whether lenders trust that you will pay back the loan as agreed. Lenders consider you more creditworthy as they gain confidence that you will pay back loans. Sources of credit include but are not limited to depository institutions, private mortgage companies, finance companies, automobile dealerships, credit card companies, retail stores, insurance agents, payday loan companies and pawn shops.

Using Credit Responsibly

You are responsible for yourself. When you borrow, you are spending future income. You pay back a loan by making regular payments (usually monthly) over time. The lender also typically expects you to pay back interest in addition to the amount borrowed.

For example: Toby was approved for a \$10,000 loan at an 8% interest rate to purchase a used automobile. The loan terms require him to make monthly payments of \$313.36 for the next three years (36 months) to pay back the loan. In addition to paying back the original \$10,000 borrowed, Toby will also be paying a total of \$1,280.96 in interest. So, the total amount repaid over the 36 months will be \$11,280.96.

Credit is an effective financial tool when managed responsibly. But, not managing your credit wisely and over-obligating your future income can lead to a decrease in your future quality of life and negative financial well-being.

Before you borrow, carefully evaluate the reason(s) for using credit. Are you going to apply for credit to pay for higher education, purchase a home or buy a new car? Borrowing to pay for higher education is a way you can invest in your human capital. This investment may pay off in the future with a better job and higher wages. Similarly, borrowing for a new home or a new car can make sense by securing more comfortable housing or more reliable transportation. But, you should think

through any purchase that requires you to borrow.

Do you have the option of using your savings or maybe dipping into an investment account as an alternative to borrowing? You may discover one or both of these options are better suited for you. Examine possible penalties for withdrawing funds from your investment account. Those potential penalties may sway your decision.

Remember that a loan is a legal contract. Once you enter into this contract you are required to make payments in the future according to the agreement. Take a look at the impact that your loan payments will have on your budget. Can you manage this monthly payment along with your other financial responsibilities? Financial experts recommend that the total amount borrowed (excluding any mortgage loans) should be less than 20% of your annual net income. Your monthly loan payments (including payments for auto loans, education loans, credit card payments, but excluding any mortgage or rent payments) should not be more than 10% of your monthly net income. Keeping the total amount of credit owed within these limits is a part of using credit responsibly.

Types of Credit

There are two types of credit:

Closed-end credit (also known as installment credit) is a loan which you must repay in a specified number of equal monthly payments. Examples of closed-end credit include automobile loans, mortgages, and education loans.

Open-end credit (also known as revolving credit) is extended as a line of credit established in advance, so you do not have to apply for credit each time credit is desired. Credit cards are the most common type of open-end credit. A unique feature of open-end credit is that you can pay the loan balance in a single payment or a series of equal or unequal monthly payments. Your lender will typically require a specified minimum monthly payment towards your outstanding balance.

The following table outlines examples of different types of credit and the most common sources for each type:

TYPE OF CREDIT	EXAMPLE	OTHER INFORMATION	MOST COMMON SOURCES OF CREDIT
Closed-end credit	Mortgage loans	Includes home equity loans.	Depository institutions Private mortgage companies
	Automobile loans		Depository institutions Automobile dealerships
	Personal loans		Depository institutions
	Education (student) loans		Government and depository institutions
Open-end credit	Credit cards	There are many different types: —Secured —Retail store	Depository institutions Credit card companies Retail stores
Alternative	Payday loans	A short-term loan that provides immediate cash by securing a borrower's written check or receiving authorization for automatic withdrawal from the borrower's depository institution account. For example, James writes a check for \$350 to the payday lender. The lender gives James \$290 in cash and keeps \$60 for fees. The lender holds the check until the agreed upon date, usually the borrower's payday before cashing it. Also known as cash advance loans. Note: These loans may have high cost (fees) associated with them.	Payday lenders
	Rent-to-Own	Tangible items such as furniture, electronics or household appliances are leased with the condition that the item will be owned by the renter if the term of rent is completed. The cumulative end amount a consumer pays to lease an item is typically much higher than if the consumer bought the item from the onset.	Rent-to-Own retail stores
	Pawn loans	A loan based on the value of personal property. The personal property is held until the borrower repays the loan, including any fees. If the owner fails to repay the loan, the lender keeps the item.	Pawn shops
	Title loans	The borrower gives the lender his/her automobile title in exchange for a set amount of cash. The lender holds the title until the loan is repaid. If the loan is not repaid as agreed, the lender keeps title to the item.	Title loan companies
	Refund anticipation loans	Short-term cash advance secured by a taxpayer's expected tax refund. If the tax refund is less than expected, the borrower owes the lender the difference.	Varies

HOW to Obtain CREDIT

Shopping for Credit

As with the purchase of any good or service, it pays to shop for credit. Comparing offers across different lenders provides you with the opportunity to find the best credit terms to fit your needs. Consider the following:

- **Interest rate**—What is the annual interest rate?
- **Fees**—Are there fees associated with the application process and/or the use of the credit? Are there any fees for repaying the loan early?
- **Missed or late payment**—Are there consequences of missed or late payments?
- **Default**—What is the consequence of not paying back in full the borrowed amount?

Credit scoring models recognize that a person may want to shop around to find the best credit terms for them. Therefore, multiple inquiries for the same type of loan, like a mortgage or automobile loan, are counted as a single inquiry if conducted within any 14-day period. This minimizes or eliminates any impact on a credit score.

Applying for Credit

The exact process to obtaining credit varies depending on the lender and type of credit. However, most lenders require two steps:

1. Credit application: A **credit application** is a form requesting information about the applicant (you). Depending upon the lender, credit applications may be completed in person or online. Credit applications usually ask for the following categories of information, but specific questions will depend on the type of credit and the lender:

- a. Personal information: Name, address, Social Security number, etc.
- b. Amount of credit requested: The lender will ask how much you want to borrow, and may also ask how long you need to pay it back and how you intend to use the loan.
- c. Information regarding your ability to repay the loan: Lenders will probably ask about your income, and may require proof. They will also want to know of any additional debt.

If you are under the age of 18, you must have an adult co-signer to get a loan.
If you are between the ages of 18-21, to obtain a loan you must have a co-signer or proof of sufficient income to make payments. Make sure co-signers understand that they are equally responsible for the loan, and that it will appear on their credit report as well.

2. Credit history check: Most lenders will check your credit history by obtaining a copy of your credit report and/or credit score to determine how likely you are to repay the credit (your credit worthiness). Alternative lenders such as payday and title loans commonly advertise credit approval with no credit history check. However, the trade-off to no credit history check is often higher interest rates and fees.

You are responsible for your present self and future self.

It is important to understand your responsibilities as a borrower, including the terms of a loan contract.

Before signing a loan contract, shop around for the best loan terms and consider the future implications of paying back the amount borrowed.

WHICH is the BEST DEAL?

Scenario: Cesar has started his first job with a monthly net income of \$2,740. He currently has an education loan for \$230 per month. Cesar wants to purchase a reliable vehicle to get to and from work. His dream vehicle is a new truck. After talking to the automobile dealership and conducting extensive research, he has selected one that costs \$25,000 after his \$3,000 down payment. He has shopped around for a loan and has three options.

Directions:

Review the information below to help Cesar choose an automobile loan by answering the following questions.

	OPTION 1	OPTION 2	OPTION 3
Lender	Car Dealership	Local Credit Union	Online Auto Loans
Annual Interest Rate	7.2%	5.8%	4.7%
Number of Months	48	60	72
Monthly Payment	\$654.00	\$524.00	\$434.00
Taxes and Fees \$	8% Sales Tax	8% Sales Tax	8% Sales Tax + \$45 application fee
Incentives and Requirements	\$2,500 cash rebate provided to borrower	Must have an account with the credit union	APR increases to 11.36% for a missed payment
Total Amount Paid (Loan of \$27,240 Plus Interest)	\$31,431.00	\$31,445.00	\$31,314.00
Expected Cost of Borrowing (Interest)	\$4,191.00	\$4,025.00	\$4,074.00

What is an advantage and disadvantage of each loan option?

	OPTION 1	OPTION 2	OPTION 3
Advantage			
Disadvantage			

Which loan option would you recommend for Cesar?

CAN THEY Handle THE DEBT?

Directions: Complete the following calculations to determine if the individual in each scenario is within the recommended amount to borrow.

Reminders:

- The total amount you borrow should be less than 20% of your annual net income and your monthly payments should be no more than 10% of your monthly net income.
- Housing payments, including rent and mortgages, should not be counted as part of the monthly 10%.
- Other debt, such as car loans and insurance, education loans and credit card payments should be counted as part of the monthly 10%.

1. Dominik has a monthly net income of \$1,860. His fixed monthly expenses consist of a rent payment of \$450. He is paying off a student loan of \$280 per month. Dominik would like to buy a new flat screen television set using a retail credit card. What is the largest monthly payment Dominik can afford for the television set so that his credit card payments and student loan keep him within a recommended limit of 20%?

2. Usha and Parker have a combined monthly net income of \$4,500. They both chip in to pay their \$675 rent each month. They also have one outstanding student loan balance of \$6,280. On the student loan debt they pay \$161 per month. Recently they added a balance of \$1,700 to their shared debt for the laptop they bought last month; they are paying as much as they can monthly on this debt. Do you feel Usha and Parker should take on more debt? Why or why not? Are there any items in which debt would make sense for this couple?

3. Yen has a net salary of \$3,722 each month. Her fixed monthly expenses consist of \$500 for rent. She also makes a monthly car payment of \$299, not including her monthly car insurance premium of \$173. Are these payments within Yen's recommended limit?

4. Sara and Arden have a combined monthly net income of \$8,700. Their fixed costs consist of a mortgage payment of \$1,500. Arden would like to buy a new car using a loan from a local credit union. Her monthly cost for the new car would be \$350. Sara is making a credit card payment of \$400 a month toward a balance that she wants to pay off as soon as possible. This payment will not last beyond six months; however, the car payment will last 4 years. Under these circumstances can Sara and Arden afford to buy the new car right now? What advice would you give them for the future?

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