

I. Budget and Banking Basics

Set a Realistic Budget

To determine your budget, ask yourself the following questions:

- How much spending money have I saved?
- How much will I earn/receive monthly?
- How much will I spend monthly?

Make sure that what you spend does not exceed what you take in. If it does, you'll need to make adjustments to either increase your income, or decrease your expenses.

Familiarize Yourself With Your Bank

You should also learn about the range of banking services available and use these services to help you access, earn, save, and protect your money.

Some basic banking products and services include:

- **Savings Account** — The bulk of your money should be placed in this account since the higher interest rate allows you to “earn money on money.” Check with local banks to find the highest current savings interest rate.
- **Checking Account** — You should keep the money you will frequently need to use in a checking account. Look for unlimited check writing, check cards, and low minimum balance requirements. Be wary of especially low minimum balance requirements or “free checking,” which can often surprise you with hidden fees or charges.

• Direct Deposit, Wires, & Electronic Funds Transfers (EFTs)

— You can have paychecks electronically deposited into your account and/or transfer money between accounts with these services. Wires can be a safe, convenient, and quick way for your parents to send money to you, so you may want to look for banks with no incoming wire fees.

• **Online Banking** — Online services offers greater convenience by allowing you to pay your bills, check your account balances and transaction history, and contact bank representatives directly from the internet.

• **Check Cards or Debit Cards** — These cards allow you to make purchases and withdraw cash at ATMs. Some banks, such as the Student Federal Credit Union (SFCU) allow you to link your PennCard as a debit card at no charge.



For all of these services, check with your financial institution about conditions that may apply. Be sure to read the fine print about fees and other charges.

II. The Basics of Credit

Credit is a form of borrowing money — spend now, pay later. Credit can take the form of credit cards or loans. Using credit offers numerous benefits but also can involve significant risk.

Benefits — Bank loans can be used to lease a car or buy a home and can often have lower interest rates than credit cards. Credit cards allow you to make purchases without ready cash. A credit card often lets you “revolve” your charges, carrying portions of your balance over from month to month. A credit card also provides a variety of benefits, such as the convenience of hassle-free shopping, emergency protection, an easier way to budget your spending, and a simple method to pay for travel expenses.

Risks — You must appreciate, however, that there are costs to using credit. It is easy to let spending slip out of control. And, high late fees and annual fees can quickly add on to what you already owe. There are also non-monetary risks for credit. A poor credit performance history can affect your ability to get a job, insurance,

a mortgage, and other loans. Therefore it is important to maintain a good credit history.

Your credit history — a record of the extent to which you paid your lenders in a timely manner — is kept in a credit report. Credit reports are compiled by three national credit reporting agencies (credit bureaus) based on submissions by individual lenders reporting, for example, overdue payments. Most submissions remain on your credit report for 7 years. The three national credit reporting agencies assign you a score that defines your creditworthiness based on your payment history. Your credit score (often called a FICO score) can be positively impacted if you pay back your loan or credit on time or early and negatively impacted if you fall behind. Most creditors grant loans and determine interest rates based on your credit score since it summarizes your “creditworthiness.”



Here are some tips for establishing and maintaining good credit:

- Try to pay off your entire balance by the due date
- Open a checking account but avoid bouncing checks
- Do not open up more credit cards than you need
- Always pay your bills on time
- Above all, keep track of your spending!

Choose Credit Wisely - Compare Offers

For all credit services, it is important to know how to choose the appropriate offer that suits your needs. In choosing credit, be sure to do the following

- Compare regular (non-introductory) annual percentage rates (APRs) — A creditor will often offer a low APR for a limited time. After that, however, rates often spike significantly, so be sure to find the most competitive regular rates.
- Be aware and compare late payment fees
- Check for annual and other fees
- Above all, READ THE FINE PRINT!

III. Fraud and Scams

Loans — If you do fall behind in your payments, be sure to **avoid scams**. Many companies claim to “repair” or “erase” your bad credit history. This is a scam. Your credit score will only improve with the passage of time and better payment performance. Also, be cautious of “advance fee loan” scams. It is usually illegal for a company to guarantee a loan if you pay in advance. The better option is to seek credit counseling or contact the SFCU for more information.

Internet Phishing is the practice of sending seemingly legitimate emails intended to trick the receiver into giving out private information such as account numbers, passwords, PINs, etc. Be wary of emails that ask for this information—your financial institution should not be emailing you to ask for your personal information. **Do not click on the links** in these emails as they may be used to install malicious programs. If you question the validity of the email, contact your financial institution for a confirmation. **Do not use the contact information in the email.** Use a phone number you know to be legitimate.

Check to see that websites are secure. Secure websites can be identified by the padlock or key icon on the bottom of the browser. **Do not transmit sensitive information unless you are sure the website is secure.**

IV. Identity Theft is a common crime that occurs when a thief steals some piece of your personal information to commit fraud or theft. A typical form of identity theft occurs when a thief opens up a new credit card account in your name or obtains information on an existing account and makes fraudulent charges on that account. The thief may use a fictitious billing address so that the victim will be unaware of the charges. To minimize your risk, be sure to follow these steps:

- Don't give out your personal information over the phone, mail, or internet unless you've initiated the contact or are sure you know who you're dealing with.



- **Securely destroy documents containing your personal information.** Shred them instead of simply throwing them away.
- **Use strong complex passwords.** Do not use dictionary words, date of birth, and other guessable passwords.
- **Only carry ID that you'll regularly use.**
- **Watch your account information and billing statements** to make sure all charges were authorized.
- **Prevent the theft of your mail** by depositing outgoing mail in post office collection boxes. Don't allow incoming mail to accumulate in your mailbox.
- **Review your credit report** to check for any errors or fraudulent activities. One free copy of your credit report is now available annually from each of the three major credit bureaus. Choose one of the following to receive your credit report:

- o Visit: www.annualcreditreport.com
- o Call: 1-877-322-8228

If you find errors on your credit report, contact the national credit bureaus and the creditor(s) in writing to contest the errors. The credit bureaus are:

- o Equifax 800-525-6285
- o Experian 800-397-3742
- o TransUnion 800-680-7289



If you believe you may be a victim of identity theft, contact one of the three national credit bureaus to request a free copy of your credit report and place a fraud alert on your file. Also, notify your creditors, file a police report, and contact the Federal Trade Commission (FTC) at 1-877-IDTHEFT. We highly recommend reviewing the Federal Trade Commission's Identity Theft website at <http://www.consumer.gov/idtheft> for more information.

Additional Resources:

For more information, please contact the SFCU at (215) 898-9697 <http://sfcu.upenn.edu>
loans@sfcu.upenn.edu

Contact Penn's Chief Privacy Officer at 1-888-BEN-TIPS <http://www.upenn.edu/privacy>
privacy@pobox.upenn.edu



Banking 101: Managing your financial future & Protecting your identity

Building a financial future starts *today!* We know that it's easy to become overwhelmed with all the details of banking, so we'd like to help you manage your finances, build and maintain good credit, and avoid scams and identity theft.

A Message From the
Student Federal Credit Union
at the University of Pennsylvania
and the University's Office of Audit,
Compliance, and Privacy

