

have to determine your priorities. By building a good history with one institution, you can establish yourself as a reliable borrower, which should give you access to lower interest rates.

Borrowing

Long-term financial goals will require borrowing, and not all debt is bad. A long history of repaying loans will build your creditworthiness and will make it easier for you to get credit in periods of hardship. It will also grant you better terms for the loans



you need. However, before taking out a loan, there are several things to keep in mind:

- Never take on loans you know that you will not be able to repay.
- Always meet your monthly payments in full and on time
- Shop around for the best deals and rates
- Understand all of the terms of any agreement you make
- The longer the period of the loan, the more money you will pay in interest, beyond the borrowed amount
- By having savings, you will have a safety net for all of your expenses and debt obligations.

Financial Literacy for the student provided by:

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Developing Banking Relationships



How to build a credit history with your bank and the benefits of doing so

Banks offer a variety of services, from checking accounts that give you easy access to your money, to savings accounts that allow you to earn interest for your good habits, to loans that help you to pay for college tuition or a home. Developing a relationship with your bank involves maintaining these accounts with it and meeting all of your payments (if any) on a timely basis. This will establish you as a reliable borrower and will lower your cost of borrowing in the future.

Checking Account

Although it is always good to have money in your wallet, you cannot carry all of your money around all of the time because your wallet may be lost or stolen. That is why when you receive paychecks, it is convenient to have them directly deposited to a checking account.

Opening a checking account

- Speak with a customer service rep
- Bring two pieces of ID (driver's license and passport)
- Know your SSN
- First deposit amount
- A 4-digit pin that you will remember
- No history of writing "bad checks"

Managing your checking account

- You may only withdraw as much money as you have in your account in the form of ATM debits or checks
- Writing checks for a bigger amount than you have in your account will result in penalties and fees as well as

give you a bad reputation as a borrower.

- Overdraft – a fee for withdrawing more money than you have in your checking account. By law, when you open your checking account the rep will give you the option to “opt out,” meaning you will be unable to withdraw more than what you have on your checking account and avoiding incurring any fees.
- Overdraft Protection – If you withdraw more than your checking balance, the bank will loan you the difference, to cover the overdraft. You will have to pay back that amount, plus interest, plus fees.

Debit Card

You can pay for your purchases with a debit card, which is directly linked to your checking account, so expenses will be deducted, or debited from your balance. You use this card to make all ATM withdrawals. Keep in mind that you must pay a fee to withdraw from ATM's unless you withdraw from one of your bank's branches.

When using the ATM, you will need to enter your pin number.

Online Banking

- Keeping track of your account is easier because you can look up your balance at any time
- If you use a debit card for purchases, you will want to make sure you keep



your receipts and match them against the debits on your online statement to prevent being overcharged.

- You can pay your bills through online banking by linking your creditors (credit cards, utilities, cell phone, etc.) to your checking account.

Savings Account

➤ Saving is a habit that needs to be developed as early as possible. Having reserve funds available will allow you to deal with emergency situations (such as unemployment) and lower the amount of money you need to borrow for major expenses like college tuition or a car. In the 18th century, people used to hide their money in their mattresses, but there are better ways to safeguard your money and make it work for you.

➤ Savings accounts are offered by banks and credit unions. You deposit money to a savings account that the financial institution can use to make investments in projects. In return, it will offer an interest on your deposit. You should research banks in order to determine which offer the best rates: <http://www.money-rates.com/savings.htm> . Check on the requirements to see if you qualify:

- Minimum deposit
- FDIC insured?
- Promotional offers
- Interest rates

➤ In terms of building a relationship with your bank, it might be helpful to open a savings account with the same bank where you have a checking account, but you will