

BE YOURSELF: guard against identity theft

Don't loan out or give your credit card to anyone and never give your credit card number (or the three-digit code on the back) to a stranger.

Shred credit card offers. Identity thieves can use the information to open credit in your name. Don't keep card PIN numbers in your wallet or purse. A thief who gets your card and its PIN can use that information to get cash advances and steal your name.

Report a lost or stolen card immediately. Make a list of your cards, their account numbers and their customer service phone numbers. Store it in a separate place from your cards so you can use it to notify your credit card companies if a card gets lost or stolen. Federal Reserve regulations protect you if someone uses your credit card without permission. You are not liable for any charges made after you notify your bank or credit card company that your card was lost or stolen. If charges are made before you give notice, you are liable for only \$50 of those charges per card.

For ATM cards, you are only protected by the \$50 limit if you report the lost card within two business days after the day you learn of the loss or theft. If you wait longer than two business days, you can be liable for up to \$500 in charges. Once an unauthorized charge has been reported to you on your bank statement, you can be liable for the full amount if you do not report the charge in writing within 60 days of the date the statement was sent to you.



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Federal Reserve

www.federalreserve.gov

(visit the consumer section
for more information)



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CREDIT CARDS

credit cards

Now that you're in college, you'll likely get inundated with credit card offers on campus and in the mail. But before you fill out an application, it's important you understand the risks. No matter the card or who's making the offer, credit cards increase your exposure to identity theft, can saddle you with high-interest debt and may negatively impact your credit history.

THE REAL COST of credit card debt

When you use a credit card, you are borrowing money that you must pay back. If you don't pay off your balance each month, interest accrues at the Annual Percentage Rate (APR). As result, a finance charge is added to the amount you borrowed. If you don't pay off your balance every month, your credit card debt can increase quickly—especially if your card charges a high percentage rate.

Let's do the math. Say you have a \$5,000 balance on a card with an 18% APR and a 2% minimum payment. If you pay the minimum every month, it will take you about seven years and seven months to pay off the debt. Even though your balance may be \$5,000, you end up paying \$9,000 to the credit card company!

PUT OFFERS UNDER the microscope

Think of reading a credit card offer's *fine* print like taking a specimen to the lab: you never know what you'll find under the microscope until you look. Read the fine print! What happens after the initial "teaser rate" expires? What is the interest rate on cash advances? Also, most cards can periodically hike their interest rates. If your card hikes its fees or interest rate, you CAN opt out of the increase. If you do, your credit card company may close your account and/or increase your monthly payment, subject to certain limitations.

Also, check out several card offers before finally filling out an application. Think twice about cards with annual fees and low introductory rates as those rates can spike.

DON'T LET CHARGES cost you

After using a credit card, check your receipt and be sure the amount charged is correct and that you filled in or scratched through any blanks. You don't want someone later filling in a different total or bumping up their tip.

PAYING the bills

Your due date should be the same each month. Don't ignore it! Make your payment early if possible. One late payment can cost you a late fee, increase your APR and hurt your credit score.

Try to avoid paying only the minimum amount due. Paying the balance in full every month is the only way to avoid finance charges.

Check your monthly statement to make sure it's accurate. This is especially important with ATM cards, because you may be liable for fraudulent charges if you do not report the problem quickly.

SMART WAYS to use credit

Don't take out cash advances unless there is a serious emergency. These advances usually carry hefty finance charges, and interest accrues on them right away.

Don't exceed your credit limit. If your balance goes above your limit, your credit card company will probably raise your APR and charge you a fee.

Keep only a couple of credit cards. Having numerous cards makes it easy to charge more than you can afford. They also raise the odds you'll become an identity theft victim.

Be careful transferring balances to a card that isn't paid off. Cards normally charge different APRs for purchases, cash advances and balance transfers.

Use your college years to build a good credit rating. Pay your credit card bills on time, stay within your credit limits and don't take on too much debt. Remember that employers often review a credit report before they hire employees!

IF YOUR DEBT GETS out of hand

Stop making purchases on the card and talk to your credit card company. They may be willing to restructure your payments and reduce your APR. If you have more than one card, pay off the card with the highest APR first.