

# FDIC *Consumer News*

## **Taking Control of Your Finances**

**Protecting  
Against  
Fraud...Page 5**

**Common  
Mistakes  
to Avoid...Page 2**

**A "To-Do" List  
for Key Stages of  
Your Life...Page 8**

**Hi-Tech Banking, 24/7...Page 7**

**Take Our  
Financial  
Aptitude  
Test...Page 10**

**Five Things  
to Know About  
Credit Cards and  
Checking Accounts...Page 6**

# If at First You Don't Succeed...

## Common Mistakes Young Adults Make with Money and How to Avoid Them

Everybody makes mistakes with their money. The important thing is to keep them to a minimum. And one of the best ways to accomplish that is to learn from the mistakes of others. Here is our list of the top mistakes young people (and even many not-so-young people) make with their money, and what you can do to avoid these mistakes in the first place.

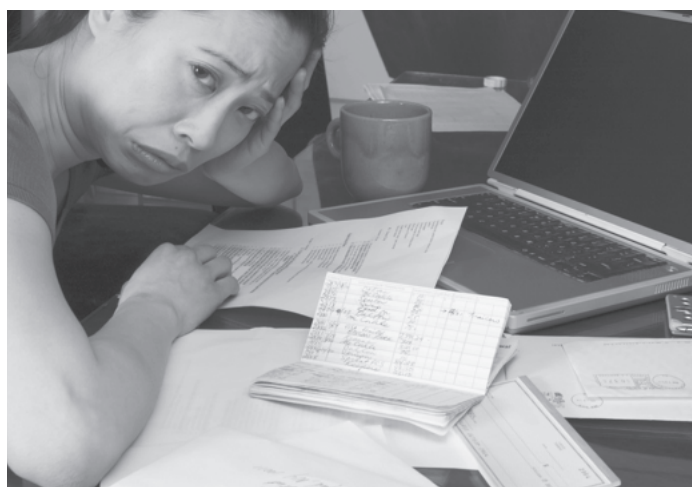
### Buying items you don't need...and paying extra for them in interest.

Every time you have an urge to do a little "impulse buying" and you use your credit card but you don't pay in full by the due date, you could be paying interest on that purchase for months or years to come. Spending money for something you really don't need can be a big waste of your money. But you can make the matter worse, a lot worse, by

putting the purchase on a credit card and paying monthly interest charges.

Research major purchases and comparison shop before you buy. Ask yourself if you really need the item. Even better, wait a day or two, or just a few hours, to think things over rather than making a quick and costly decision you may come to regret.

There are good reasons to pay for major purchases with a credit card, such as extra protections if you have problems with the items. But if you charge a purchase with a credit card instead of paying by cash, check or debit card (which automatically deducts the money from your bank account), be smart about how you repay. For example, take advantage of offers of "zero-percent interest" on credit card purchases for a certain number of months (but understand when and how



## A Message to Readers

The Federal Deposit Insurance Corporation has been publishing *FDIC Consumer News* quarterly since 1993 to help people be savvier about and safer with their money. Dealing with personal finances can be overwhelming for anyone, but especially for people just beginning to manage money on their own. That's why we've published this special edition. Our goal is to help young adults — including those just starting a career or a family and others still in school — take control of their finances.

interest charges could begin).

And, pay the entire balance on your credit card or as much as you can to avoid or minimize interest charges, which can add up significantly.

"If you pay only the minimum amount due on your credit card, you may end up paying more in interest charges than what the item cost you to begin with," said Janet Kincaid, FDIC Senior Consumer Affairs Officer. Example: If you pay only the minimum payment due on a \$1,000 computer, let's say it's about \$20 a month, your total cost at an Annual Percentage Rate of more than 18 percent can be close to \$3,000, and it will take you nearly 19 years to pay it off.

**Getting too deeply in debt.** Being able to borrow allows us to buy clothes or computers, take a vacation or purchase a home or a car. But taking on too much debt can be a problem, and each year millions of adults of all ages find themselves struggling to pay their loans, credit cards and other bills.

Learn to be a good money manager by following the basic strategies outlined in

this special report. Also recognize the warning signs of a serious debt problem. These may include borrowing money to make payments on loans you already have, deliberately paying bills late, and putting off doctor visits or other important activities because you think you don't have enough money.

If you believe you're experiencing debt overload, take corrective measures. For example, try to pay off your highest interest-rate loans (usually your credit cards) as soon as possible, even if you have higher balances on other loans. For new purchases, instead of using your credit card, try paying with cash, a check or a debit card.

"There are also reliable credit counselors you can turn to for help at little or no cost," added Rita Wiles Ross, an FDIC attorney. "Unfortunately, you also need to be aware that there are scams masquerading as 'credit repair clinics' and other companies, such as 'debt consolidators,' that may charge big fees for unfulfilled promises or services you can perform on your own."

For more guidance on how to get out of debt safely or find a reputable credit counselor, start at the Federal Trade Commission (FTC) Web site at [www.ftc.gov/bcp/online/edcams/credit/coninfo\\_debt](http://www.ftc.gov/bcp/online/edcams/credit/coninfo_debt).

### **Paying bills late or otherwise tarnishing your reputation.**

Companies called credit bureaus prepare credit reports for use by lenders, employers, insurance companies, landlords and others who need to know someone's financial reliability, based largely on each person's track record paying bills and debts. Credit bureaus, lenders and other companies also produce "credit scores" that attempt to summarize and evaluate a person's credit record using a point system.

While one or two late payments on your loans or other regular commitments (such as rent or phone bills) over a long period may not seriously damage your credit record, making a habit of it will count against you. Over time you could be charged a higher interest rate on your credit card or a loan that you really want and need. You could be turned down for a job or an apartment. It could cost you extra when you apply for auto insurance. Your credit record will also be damaged by a bankruptcy filing or a court order to pay money as a result of a lawsuit.

So, pay your monthly bills on time. Also, periodically review your credit reports

from the nation's three major credit bureaus — Equifax, Experian and TransUnion — to make sure their information accurately reflects the accounts you have and your payment history, especially if you intend to apply for credit for something important in the near future. For information about your rights to obtain free copies of your credit report and have errors corrected, see the FTC's fact sheet *Your Access to Free Credit Reports* online at [www.ftc.gov/bcp/online/pubs/credit/freereports](http://www.ftc.gov/bcp/online/pubs/credit/freereports).

**Having too many credit cards.** Two to four cards (including any from department stores, oil companies and other retailers) is the right number for most adults. Why not more cards?

The more credit cards you carry, the more inclined you may be to use them for costly impulse buying. In addition, each card you own — even the ones you don't use — represents money that you *could* borrow up to the card's spending limit. If you apply for new credit you will be seen as someone who, in theory, could get much deeper in debt and you may only qualify for a smaller or costlier loan.

Also be aware that card companies aggressively market their products on college campuses, at concerts, ball games or other events often attended by young adults. Their offers may seem tempting and even harmless — perhaps a free

T-shirt or Frisbee, or 10 percent off your first purchase if you just fill out an application for a new card — but you've got to consider the possible consequences we've just described. "Don't sign up for a credit card just to get a great-looking T-shirt," Kincaid added. "You may be better off buying that shirt at the store for \$14.95 and saving yourself the potential costs and troubles from that extra card."

**Not watching your expenses.** It's very easy to overspend in some areas and take away from other priorities, including your long-term savings. Our suggestion is to try any system — ranging from a computer-based budget program to hand-written notes — that will help you keep track of your spending each month and enable you to set and stick to limits you consider appropriate. "A budget doesn't have to be complicated, intimidating or painful — just something that works for you in getting a handle on your spending," said Kincaid.

Want some specific ideas for ways to cut back on spending? A good place to start is the Web site for the "66 Ways to Save" campaign ([www.66ways.org](http://www.66ways.org)).

**Not saving for your future.** We know it can be tough to scrape together enough money to pay for a place to live, a car and other expenses each month. But experts say it's also important for young

people to save money for their long-term goals, too, including perhaps buying a home, owning a business or saving for your retirement (even though it may be 40 or 50 years away).

Start by "paying yourself first." That means even before you pay your bills each month you should put money into savings for your future. Often the simplest way is to arrange with your bank or employer to automatically transfer a certain amount

*If you pay only the minimum payment due on a \$1,000 computer, let's say it's about \$20 a month, your total cost at an Annual Percentage Rate of more than 18 percent can be close to \$3,000, and it will take you nearly 19 years to pay it off.*

each month to a savings account or to purchase a U.S. Savings Bond or an investment, such as a mutual fund that buys stocks and bonds.

Even if you start with just \$25 or \$50 a month you'll be significantly closer to your goal. "The important thing is to start saving as early as you can — even saving for your retirement

*continued on next page*



when that seems light-years away — so you can benefit from the effect of compound interest,” said Donna Gambrell, a Deputy Director of the FDIC’s Division of Supervision and Consumer Protection. Compound interest refers to when an investment earns interest, and later that combined amount earns more interest, and on and on until a much larger sum of money is the result after many years.

Banking institutions pay interest on savings accounts that they offer. However, bank deposits aren’t the only way to make your money grow. “Investments, which include stocks, bonds and mutual funds, can be attractive alternatives to bank deposits because they often provide a higher rate of return over long periods, but remember that there is the potential for a temporary or permanent loss in value,” said James Williams, an FDIC Consumer Affairs Specialist. “Young people especially should do their research and consider getting professional advice before putting money into investments.”

#### **Paying too much in fees.**

Whenever possible, use your own financial institution’s automated teller machines or the ATMs owned by financial institutions that don’t charge fees to non-customers. You can pay \$1 to \$4 in fees if you get cash from an ATM that isn’t owned by your financial institution or isn’t part of an ATM “network” that your bank belongs to. For

more about how to save on ATM fees, see the tips from *FDIC Consumer News* online at [www.fdic.gov/consumers/consumer/news/cnspr04/simple.html](http://www.fdic.gov/consumers/consumer/news/cnspr04/simple.html).

Try not to “bounce” checks — that is, writing checks for more money than you have in your account, which can trigger fees from your financial institution (about \$15 to \$30 for each check) and from merchants. The best precaution is to keep your checkbook up to date and closely monitor your balance, which is easier to do with online and



telephone banking (see Page 7). Remember to record your debit card transactions from ATMs and merchants so that you will be sure to have enough money in your account when those withdrawals are processed by your bank.

Financial institutions also offer “overdraft protection” services that can help you avoid the embarrassment and inconvenience of having a check returned to a merchant. But be careful before signing up because these programs come with their own costs.

Pay off your credit card balance each month, if possible, so you can avoid or minimize interest charges. Also send in your payment on time to avoid additional fees. If you don’t expect to pay your credit card bill in full most months, consider using a card with a low interest rate and a generous “grace period” (the number of days before the card company starts charging you interest on new purchases).

**Not taking responsibility for your finances.** Do a little comparison shopping

*Whenever possible, use your own financial institution’s automated teller machines or the ATMs owned by institutions that don’t charge fees to non-customers.*

to find accounts that match your needs at the right cost. Be sure to review your bills and bank statements as soon as possible after they arrive or monitor your accounts periodically online or by telephone. You want to make sure there are no errors, unauthorized charges or indications that a thief is using your identity to commit fraud.

Keep copies of any contracts or other documents that describe your bank accounts, so you can refer to them in a

dispute. Also remember that the quickest way to fix a problem usually is to work directly with your bank or other service provider.

“Many young people don’t take the time to check their receipts or make the necessary phone calls or write letters to correct a problem,” one banker told *FDIC Consumer News*. “Resolving these issues can be time consuming and exhausting but doing so can add up to hundreds of dollars.”

#### **Final Thoughts**

Even if you are fortunate enough to have parents or other loved ones you can turn to for help or advice as you start handling money on your own, it’s really up to you to take charge of your finances. Doing so can be intimidating for anyone. It’s easy to become overwhelmed or frustrated. And everyone makes mistakes. The important thing is to take action.

Start small if you need to. Stretch to pay an extra \$50 a month on your credit card bill or other debts. Find two or three ways to cut your spending. Put an extra \$50 a month into a savings account. Even little changes can add up to big savings over time.

Also remember that being financially independent doesn’t mean you’re entirely on your own. There are always government agencies, including the FDIC and the other organizations listed on Pages 10 and 11, that can help with your questions or problems. 🏠

# Financial Fraud and Theft: How to Protect Yourself

A big concern today is identity theft or “ID theft,” which occurs when an individual learns someone’s Social Security number (SSN), bank account information or other details that can be used to go on a buying or borrowing binge. While law enforcement agencies, financial industry regulators, financial institutions and other organizations are working together to prevent ID theft and other financial crimes, consumers need to take precautions.

## **Protect your Social Security number, bank account and credit card numbers, PINs (personal identification numbers), passwords and other personal information.**

Never provide this information in response to a phone call, a fax, a letter or an e-mail you’ve received — no matter how friendly or official the circumstances may appear.

Be especially careful with your SSN. Don’t provide it to any business unless you’re convinced it’s necessary and the information will be protected.

Also be aware that friends, family members, roommates and workers who come into homes make up a large percentage of identity thieves. They often are in the best position to find and use confidential information.

**Guard your mail**, which may include a credit card or bank statement, an

envelope containing a check, documents showing confidential information, or other items that a thief can steal from a mailbox.

Try to use a locked mailbox or other secure location for your incoming mail. Pick up your mail as soon as possible. And for outgoing mail containing a check or personal information, put it in a blue Postal Service mailbox, hand it to a mail carrier or take it to the post office instead of leaving it in your doorway or home mailbox.

**Keep your financial trash “clean.”** Don’t throw away old ATM or credit card receipts, bank statements, tax returns or other documents containing personal information without shredding them first. ID thieves pick through trash bins looking for trash they can turn into cash.

**Use extra care with personal information on a computer or over the Internet.** Never provide bank, credit card or other sensitive information when visiting a Web site that doesn’t explain how your personal information would be protected, including its use of “encryption” to safely transmit and store data.

Be on guard against incoming e-mails claiming to be from a trusted source — perhaps a bank, another company you know or even a government agency — asking you to “update” or

“confirm” personal information. “Reputable organizations won’t contact you to verify account information online because they already have it,” said Sandra Thompson, a Deputy Director of the FDIC’s Division of Supervision and Consumer Protection.

If you get one of those fraudulent e-mails (they’re called “phishing” scams), don’t click on any links or attachments because doing so could activate some types of spyware or viruses.

Take other precautions with your personal computer. Examples: Install a free or low-cost “firewall” to stop intruders from gaining remote access to your PC. Download and frequently update security “patches” offered by your operating system and software vendors to correct weaknesses that a hacker might exploit. Use software that detects and blocks “spyware,” which can record your keystrokes to obtain your credit card number and other personal information.

Before selling, donating or disposing of an old personal computer, use special software to completely erase files that contain financial records, tax returns and other personal information.


“If you use someone else’s computer, such as a computer provided by your school, do not put your Social Security number or other personal information onto the

computer,” added Thompson. “Even if you go back and delete what you typed in, your personal information will remain on the computer’s hard-drive and may be retrieved by an identity thief.”

## **Beware of offers that seem too good to be true.**

Con artists often pose as charities or business people offering jobs, rewards or other “opportunities.” They hope that trusting souls will send cash or checks, provide SSNs or credit card numbers, or wire money from a bank account.

Be extremely suspicious of any offer that involves “easy money” or “quick fixes.” Be careful if you’re being pressured to make a quick decision and you’re asked to send money or provide bank account information before you receive anything in return. Also beware of any transaction for which you receive a cashier’s check made out for more money than the amount due to you with a request to wire back the difference — you could lose a lot of money if the check is fraudulent.

To learn more about Internet security, go [www.fdic.gov/news/news/press/2004/pr9304a.pdf](http://www.fdic.gov/news/news/press/2004/pr9304a.pdf). To protect against an array of scams, go to the Federal Trade Commission’s consumer information Web site at [www.ftc.gov/ftc/consumer.htm](http://www.ftc.gov/ftc/consumer.htm). 

# Five Things You Should Know About...

## Credit Cards



### 1. Use them carefully.

Credit cards offer great benefits, especially the ability to buy now and pay later. But you've got to keep the debt levels manageable. If you don't, the costs in terms of fees and interest, or the damage to your credit record, could be significant.

### 2. Choose them carefully.

Don't choose a credit card just to get freebies (T-shirts or sports items) or because there's no annual fee. Look for a card that's best for your borrowing habits.

Example: If you expect to carry a balance on your card from month to month, which means you'll be charged interest, it's more important to look for a card with a low interest rate or a generous "grace period" (more time before your payments are due).

### 3. Pay as much as you can to avoid or minimize interest charges.

If possible, pay your bill in full each month. Remember, paying only the minimum due each month means you'll be paying a lot of interest for many years, and those costs could far exceed the amount of your original purchase.

**4. Pay on time.** You'll avoid a late fee of about \$35 or more. But more importantly, continued late

payments on your credit card may be reported to the major credit bureaus as a sign that you have problems handling your finances.

And if your credit rating gets downgraded, your card company could raise the interest rate on your credit card, reduce your credit limit (the maximum amount you can borrow) or even cancel your card.

Late payment on your credit card also can be a mark against you the next time you apply for an apartment or a job.

**5. Protect your credit card numbers from thieves.** Never provide your credit card numbers — both the account numbers and expiration date on the front and the security code on the back — in response to an unsolicited phone call, e-mail or other communication you didn't originate.

When using your credit card online make sure you're dealing with a legitimate Web site and that your information will be encrypted (scrambled for security purposes) during transmission.

Major credit card companies also are offering more protection by providing "zero-liability" programs that protect consumers from the unauthorized use of their card.

In general, only give your credit card or card numbers to reputable merchants or other organizations. 🏠

## Checks and Checking Accounts



**1. Shop around for a good deal,** preferably an account without a monthly maintenance fee.

Banks usually offer several accounts to choose from with different features, fees, interest rates, opening balance requirements and so on.

And remember that what's good for your parents or your friends may not be best for you.

**2. Keep your checkbook up to date** by recording all transactions, including ATM withdrawals, bank fees, purchases you make using a debit card, and any other deductions that do not involve writing a check.

Also promptly compare your checkbook with your monthly statement or review your account information online or by telephone.

**3. Avoid "overdrawing your account,"** which can happen if you write a check or otherwise attempt to withdraw (by mistake) more money than you have in your account. It also is possible to overdraw your account using your debit card at

the ATM or when making a purchase. These transactions can be costly. (See Page 4 for more guidance.)

**4. Consider Internet (online) banking.** This service allows you to make payments or move money from one account to another through your bank's Web site instead of (or in addition to) writing and mailing paper checks. This saves on the costs of postage and buying paper checks.

Online banking also allows you to monitor your account without having to wait for a statement in the mail.

### 5. Pay attention to your bank statements.

Immediately report any errors or unauthorized transactions (to protect yourself from accusations that you were negligent in managing your account).

Look at your statement as soon as possible after it arrives in the mail or monitor your account more regularly on the Internet or through your bank's telephone banking service. 🏠

## High-Tech Banking, 24/7

For young adults today, it's hard to imagine life without gadgets and high-tech helpers. We want to make sure you know about some of the attractive electronic banking services beyond ATMs.

**Internet banking** (online banking) enables you to transfer money between your accounts at the same bank and view account information, deposits as well as loans, at any time.

**Internet bill paying** allows you to pay monthly and one-time bills over the Internet. Some banks offer electronic bill payment free of charge, others charge a fee that is usually less than what you would spend on postage.

**Debit cards** look like credit cards but they automatically withdraw the money you want from your account. You can use a debit card to get cash from an ATM or to pay for purchases.

**Direct deposit** enables your paycheck and certain other payments to be transmitted automatically to your bank account. "Direct deposit is free and it's fast — there's no waiting for the check to arrive at home and no waiting in the teller lines," said Kathryn Weatherby, an Examination Specialist for the FDIC.

**Telephone banking** allows you to use your touch-tone phone to confirm that a check or deposit has cleared, get your latest balance,



transfer money between separate accounts at the same bank, and obtain details about services.

**Automatic withdrawals** from your bank account can be arranged free of charge to pay recurring bills (such as phone bills or insurance premiums) or to systematically put a certain amount of money into a savings account, a U.S. Savings Bond, or an investment.

"Your banking can be so much more convenient and easier to monitor and control when you have access to your accounts 24 hours a day, seven days a week, from your home or practically anywhere else," added Weatherby.

However, she also stressed the need to take security precautions with your electronic transactions and your computer, such as those discussed on Pages 5 and 6. To learn more about electronic banking and consumer protections, see the Winter 2004/2005 *FDIC Consumer News* online at [www.fdic.gov/consumers/consumer/news/cnwin0405](http://www.fdic.gov/consumers/consumer/news/cnwin0405). 🏠

## To Buy or Not to Buy...

**That is a question many young adults face when it comes to a home or a car**

**Renting vs. Buying a Home:** Once you start earning a good, steady income you'll most likely face this decision: Should I buy my own home instead of paying rent to someone else?

Most people want to own a home. Homeownership often is referred to as "the American dream." Why is it so special? Among the reasons: Real estate often is an excellent investment, perhaps the number one source of wealth building for families. Owning your own home also can be a great source of pride and stability. But homeownership may not be for everyone. It's a big financial commitment — starting with the initial shock of your purchase (including a "down payment" and fees paid to a real estate agent, the lender and others) followed by years of monthly mortgage payments, real estate taxes, property insurance and maintenance costs (such as lawn care and home improvements).

How can you learn more about renting vs. buying a home, as well as your rights and your responsibilities as a renter or a homeowner? A good place to start is [www.mymoney.gov](http://www.mymoney.gov), the new Web site for financial information from the federal government. Or, go to the Web site of the U.S. Department of Housing and Urban Development (HUD) at [www.hud.gov](http://www.hud.gov), which has answers to common questions from renters and first-time homebuyers, a calculator you can use online to compare buying vs. renting a home, and links to homebuyer assistance programs across the country.

**Buying vs. Leasing a Car:** For many young people, their first big financial commitment will involve getting their own wheels.

One option is to buy, which may involve borrowing money to pay for it. Before you visit a dealership or bid for a car over the Internet, visit our Web site for tips from *FDIC Consumer News* that can help you save time and money, perhaps hundreds of dollars, when it comes to shopping for an auto loan. See *Kicking the Tires on an Auto Loan: Don't Kick Yourself for Paying Too Much* online at [www.fdic.gov/consumers/consumer/news/cnsum04/autoloan.html](http://www.fdic.gov/consumers/consumer/news/cnsum04/autoloan.html).

Another option is to lease a car, which is similar to renting it for a few years. The Federal Reserve Board has published a guide to the differences between buying and leasing a car, including cost considerations and consumer rights. Read *Keys to Vehicle Leasing* online at [www.federalreserve.gov/pubs/leasing](http://www.federalreserve.gov/pubs/leasing). 🏠



# Ages and Stages of Money Management: A To-Do List

To successfully reach your financial goals, a lot depends on what you do and when. Here are just a few ideas young adults can consider at key stages of their life.

## You're in High School

Consider earning money outside of your home, whether it's babysitting, lawn mowing, or working in a movie theater or another "real" business. A job can provide a sense of accomplishment and responsibility. It also can be a good opportunity to learn about careers and to "network" with professionals.

Learn the concept of "paying yourself first" — that is, automatically putting some money into savings or investments before you're tempted to spend it. Start small if you have to and gradually build up.

Consider opening a bank account, either on your own or with a parent or other adult. It's a good way to learn about managing money. You also may want to start using a debit card — you can use it to make purchases but you won't pay interest or get into debt because the money is automatically deducted from your bank account.

Take a personal finance class or join an investment club at school.

If you're planning to go to college, learn about your options for saving or borrowing money for what will be a major expense (see the next page).

If you (and your parents) are comfortable with getting a credit card, you should know that there are cards designed just for teens. One is a credit card with a low credit limit that can keep you from getting deeply in debt. Another is a pre-paid card that comes with parental controls, including spending limits.

## You're in College

Realize that as you pay bills and debts on your own you are building a "credit record" that could be important when you apply for a loan or a job in the future. Pay your bills on time...and borrow only what you can repay.

If you decide to get your own credit card, choose carefully. Take your time, understand the risks as well as the rewards and do some comparison shopping. Don't apply for a credit card just because you received an invitation in the mail or a sales person was offering a free gift on campus.

Protect your Social Security number (SSN), credit card numbers and other personal information from thieves who use someone else's identity to commit fraud. Examples: Use your SSN as identification only if absolutely necessary and never provide it to a stranger. Safeguard your personal information when using the Internet or borrowing a computer

provided by your school (see Page 5).

Consider a paying job or even an unpaid internship at a workplace related to a career you're considering.

If possible, set aside money into savings and investments.

Try to take a class in personal finance. Read money-related magazine and newspaper articles.

## You're Starting a Career

Keep your credit card and other debts manageable. Maintain a good credit record.

Save money for both short-term and long-term goals. Contribute as much as you can to retirement savings, which often can be used for other purposes, including a first-time home purchase. Take advantage of matching contributions that your employer will put into your retirement savings.

Do your best to stick to a budget and control your spending, especially if you're still paying back student loans or working at an entry-level job.

Although insurance sometimes seems like a waste of money, you only need one accident or catastrophe to wipe you out financially. Think about disability insurance (to replace lost income if you become seriously ill) and health insurance (to


cover big medical bills). Check into low-cost or free insurance offered through your employer.

## You're Starting a Family

Continue saving and investing money, including in retirement accounts.

If you don't already own your home do some research to see if this is a good option for you. A home purchase can be expensive but it also can be an excellent investment and a source of tax breaks. Check out educational resources for first-time homebuyers (see Page 7).

Make sure you are properly insured, including life, health, disability and home owner's or renter's insurance.

Talk with an attorney about the legal documents you should have to protect your loved ones if you become seriously ill or die. These documents typically include a will, a "durable power of attorney" (giving one or more people the authority to handle personal matters if you become mentally or physically incompetent) and a "living will" (specifying the medical care you want or don't want if you become hopelessly ill and cannot communicate your wishes.) 



# The Right Way to Right A Wrong

## How to fix a problem with a financial institution

Got a question or a complaint involving a financial institution but you're not sure about the best or quickest ways to resolve the matter? Here's a good game plan.

### 1. Contact the institution directly.


Experience has shown that's the quickest way to resolve most problems. Also keep your cool. Be as professional as possible.

### 2. Put your complaint in writing,

even if you also call the institution. Some consumer protection laws require that written complaints be filed. Be sure to send your letter to the address that the institution recommends for complaints and keep a copy of all correspondence and supporting documents. With phone calls, get the name of the person you spoke to and keep good

notes of your conversation, including the date.

**3. Act as soon as possible.** Some laws require consumers to report a problem within a certain time period to be fully protected.

**4. If you can't fix a problem on your own you may contact the institution's government regulator for help or guidance.** To find out who regulates a bank or other deposit-taking institution, you can write or call the FDIC (see Page 11). Find contact information and tips for solving problems with non-bank financial companies, such as insurance companies or brokerage firms, at [www.consumeraction.gov](http://www.consumeraction.gov), which features the federal government's *Consumer Action Handbook*. 

## Some Federal Laws Protecting Consumers

The **Electronic Fund Transfer Act** limits a consumer's liability if there's been an unauthorized use of an ATM card, debit card or other electronic banking device.

The **Equal Credit Opportunity Act** prohibits discrimination against loan applicants based on race, sex, age (provided that the applicant is eligible to enter into a binding contract), marital status, religion, national origin or receipt of various types of government assistance.

The **Fair Credit Billing Act** establishes procedures for correcting errors on credit card bills. This law also allows a card user to dispute a purchase made with a card.

The **Truth in Lending Act** requires creditors to give consumers information about the Annual Percentage Rates and other costs of a credit card or loan. This law also protects consumers if a credit card is lost or stolen.

The **Truth in Savings Act** requires disclosures about interest rates and fees and prohibits misleading or inaccurate advertising for checking and savings accounts.

## Did You Know...?

### Web Sites Offer Guidance on Paying for College

College costs keep going up and up. Fortunately, there are many ways to save for college education, including tax-advantaged savings plans and U.S. Savings Bonds. There also are options for borrowing money, including bank loans and a variety of federal government student loan programs.

For more information on saving and borrowing for college costs, including what to consider if you're having difficulty repaying a student loan, some federal government Web sites can help. One is the U.S. Department of Education's Web site at [www.studentaid.ed.gov](http://www.studentaid.ed.gov), which even includes a calculator you can use to determine how much to save to meet college expenses and how to maximize your savings efforts. Another site, [www.students.gov](http://www.students.gov), is a comprehensive Web site with information from the U.S. government and other sources on topics such as financial aid.

### The FDIC Protects Deposits to \$100,000

The Federal Deposit Insurance Corporation is an independent agency of the U.S. government that protects depositors from losing money if their insured bank or savings institution were to fail. Generally speaking, your funds in checking and savings accounts and "CDs" (special accounts you'd hold for anywhere from one month to five years) are fully insured up to \$100,000, and sometimes more, under current laws.

"If you or your family has \$100,000 or less on deposit at a bank, as is the case with most people, your money is completely safe," said Kathleen Nagle, a supervisor with the FDIC's Division of Supervision and Consumer Protection. To learn more, start at the FDIC's Web site ([www.fdic.gov](http://www.fdic.gov)) or call or write the FDIC (see Page 11).

### This FDIC Special Guide May Be Reprinted

The FDIC encourages schools, financial institutions, personal finance advisors, consumer groups, the media and anyone else to help make the tips and information in this special edition of *FDIC Consumer News* widely available to young adults.

The newsletter may be reprinted in whole or in part without advance permission. In addition, the FDIC offers this special edition online in a PDF version (at [www.fdic.gov/consumers/consumer/news](http://www.fdic.gov/consumers/consumer/news)) that looks just like the printed newsletter and can easily be reproduced in any quantity. The back page of the PDF version also was intentionally left blank so that an organization could add its name, logo, a special message and/or self-mailing information.

# Take Our “Financial Aptitude Test” — the F.A.T.

You don't need a #2 pencil or a calculator to take our quiz, but you do need a good understanding of the information in this special report to get a good score. Think you're ready?

1. It's always smart to send in the minimum payment due on a credit card bill each month and stretch out the card payments as long as possible instead of paying the bill in full. **True or False?**

2. Your credit record (your history of paying debts and other bills) can be a factor when you apply for a loan or a credit card but cannot affect non-credit decisions, such as applications for insurance or an apartment. **True or False?**

3. While one or two late payments on bills may not damage your credit record, making a habit of it will count against you. **True or False?**

4. There's no harm in having many different credit cards, especially when the card companies offer free T-shirts and other special giveaways as incentives. The number of cards you carry won't affect your ability to get a loan; what matters is that you use the cards responsibly. **True or False?**

5. A debit card may be a good alternative to a credit card for a young person because the money to pay for purchases is automatically deducted from a bank account, thus avoiding interest charges or debt problems. **True or False?**


6. It makes no sense for young adults to put money aside for their retirement many years away. People in

their 20s should focus entirely on meeting monthly expenses and saving for short-term goals (such as buying a home or starting a business) and not start saving for retirement until their 40s at the earliest. **True or False?**

7. If you receive an e-mail from a company you've done business with asking you to update your records by re-entering your Social Security number or bank account numbers, it's safe to provide this information as long as the e-mail explains the reason for the request and shows the company's official logo. **True or False?**

8. The best way to avoid a “bounced” check — that is, a check that gets rejected by your financial institution because you've overdrawn your account — is to keep your checkbook up to date and closely monitor your balance. Institutions do offer “overdraft protection” services but these programs come with their own costs. **True or False?**

9. All checking accounts are pretty much the same in terms of features, fees, interest rates, opening balance requirements and so on. **True or False?**

10. If you or your family has \$100,000 or less on deposit at an FDIC-insured bank, and the bank fails, your money is completely safe. **True or False?** 


(See correct answers at right.)

## How To Learn More

The FDIC offers a variety of assistance to help consumers understand how to handle their money and resolve complaints. Start with the consumer information on the FDIC Web site at [www.fdic.gov](http://www.fdic.gov), where you'll find consumer brochures and alerts, back issues of our quarterly *FDIC Consumer News*, and an interactive financial education program called *Money Smart* that provides a basic introduction to bank services. You also can get answers to questions by phone or e-mail (see next page).

*FDIC Consumer News* provides continuing financial education. You can sign up for a free e-mail subscription. After each new edition is posted to our Web site, you'll get an e-mail telling you about the issue and linking you to any story that interests you. Just follow the instructions posted at [www.fdic.gov/about/subscriptions/index.html](http://www.fdic.gov/about/subscriptions/index.html).

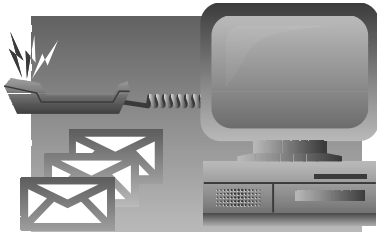
Other federal government agencies, including those listed on the next page and the Federal Trade Commission ([www.ftc.gov](http://www.ftc.gov)), publish consumer information and have staff, Web sites and other resources that can help answer your questions on financial matters. Another good place to start is [www.mymoney.gov](http://www.mymoney.gov), the federal government's central Web site for information about managing your money.

Other resources include financial institutions (through their staff, brochures and Web sites) and personal finance classes offered by schools, state and local government agencies and non-profit organizations. These local classes may involve a partnership with the federal government, such as those that offer the FDIC's *Money Smart* curriculum. Another example is the Cooperative Extension System ([www.csrees.usda.gov/financialsecurity](http://www.csrees.usda.gov/financialsecurity)), a nationwide educational partnership of more than 3,000 local offices and 100 state universities, and a research and education agency within the U.S. Department of Agriculture. 

## Correct Answers

- |                       |                       |
|-----------------------|-----------------------|
| 1. False (See Page 2) | 6. False (See Page 3) |
| 2. False (See Page 3) | 7. False (See Page 5) |
| 3. True (See Pages 3) | 8. True (See Page 4)  |
| 4. False (See Page 3) | 9. False (See Page 6) |
| 5. True (See Page 8)  | 10. True (See Page 9) |

## For More Information



The **Federal Deposit Insurance Corporation** insures deposits at banks and savings associations and supervises state-chartered banks that are not members of the Federal Reserve System. The FDIC's services include a toll-free consumer assistance line, answers to written questions, and informational material. Toll-free phone: (877) ASK-FDIC or (877) 275-3342. The phone line is staffed Monday through Friday, 8:00 a.m. to 8:00 p.m., Eastern Time. Recorded information is available 24 hours a day. The toll-free TTY number for the deaf/hard-of-hearing is (800) 925-4618. Home Page: [www.fdic.gov](http://www.fdic.gov). Mail: 550 17th Street, NW, Washington, DC 20429.

**For questions about deposit insurance coverage:** Contact the FDIC Division of Supervision and Consumer Protection at the address and phone numbers above or by e-mail using the Customer Assistance Form on the Internet at [www2.fdic.gov/starsmail/index.html](http://www2.fdic.gov/starsmail/index.html). The National Credit Union Administration (listed below) insures deposits at federally insured credit unions.

**For other questions, including those about consumer protection laws, or complaints involving a specific institution:** First attempt to resolve the matter with the institution. If you still need assistance, write to the institution's primary regulator listed on this page. Although the FDIC insures nearly all banks and savings associations in the United States, the FDIC may not be the primary regulator of a particular institution. Other regulators are listed below. To submit a complaint about an FDIC-supervised institution, contact the FDIC Division of Supervision and Consumer Protection as listed above. For inquiries involving problems or complaints related to the FDIC, contact the FDIC Office of the Ombudsman at the mailing address and phone numbers listed above, by fax to (202) 942-3040, or by e-mail to [ombudsman@fdic.gov](mailto:ombudsman@fdic.gov).

The **Federal Reserve System** supervises state-chartered banks that are members of the Federal Reserve System. Phone: (202) 452-3693. Fax: (202) 728-5850. Home Page: [www.federalreserve.gov](http://www.federalreserve.gov). E-mail: [www.federalreserve.gov/feedback.cfm](http://www.federalreserve.gov/feedback.cfm). Mail: Division of Consumer and Community Affairs, 20th Street and Constitution Avenue, NW, Mail Stop 801, Washington, DC 20551.

The **Office of the Comptroller of the Currency** charters and supervises national banks. (The word "National" appears in the name of a national bank, or the initials "N. A." follow its name.) Phone: (800) 613-6743. Fax: (713) 336-4301. Home Page: [www.occ.treas.gov](http://www.occ.treas.gov). E-mail: [consumer.assistance@occ.treas.gov](mailto:consumer.assistance@occ.treas.gov). Mail: Customer Assistance Group, 1301 McKinney Street, Suite 3710, Houston, TX 77010.

The **Office of Thrift Supervision** supervises federally and state-chartered savings associations plus federally chartered savings banks. (The names generally identify them as savings and loan associations, savings associations or savings banks. Federally chartered savings associations have the word "Federal" or the initials "FSB" or "FA" in their names.) Phone: (800) 842-6929 or (202) 906-6237. Home Page: [www.ots.treas.gov](http://www.ots.treas.gov). E-mail: [consumer.complaint@ots.treas.gov](mailto:consumer.complaint@ots.treas.gov). Mail: Consumer Affairs Office, 1700 G Street, NW, Washington, DC 20552.

The **National Credit Union Administration** charters and supervises federal credit unions, and insures deposits at federal credit unions and many state credit unions. Phone: (703) 518-6330. Fax: (703) 518-6409. Home Page: [www.ncua.gov](http://www.ncua.gov). E-mail: [pacamail@ncua.gov](mailto:pacamail@ncua.gov). Mail: Office of Public and Congressional Affairs, 1775 Duke Street, Alexandria, VA 22314.

**Your state government** also may offer assistance and publish useful information. Contact your state's Attorney General's office, consumer protection office or financial institution regulatory agency as listed in your phone book or other directories, or visit your state's official Web site.

## FDIC Consumer News

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