HESAA

REAL MONEY 101

www.hesaa.org

HESAA

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

State of New Jersey
HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
4 QUAKERBRIDGE PLAZA
PO BOX 545
TRENTON, NJ 08625-0545
1-800-792-8670
www.hesaa.org

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

E. MICHAEL ANGULO
Executive Director

Dear Student,

Pursuing a college degree gives you an opportunity to broaden your horizons and develop new skills. It's also the start of your financial independence.

The Higher Education Student Assistance Authority (HESAA) is committed to excellence in education and helping you develop the life skills you need for your financial well-being. Real Money 101 was created especially for New Jersey students in cooperation with licensed credit counseling agencies and the financial aid community. By focusing on what you need to know about credit, banking, investing and student loans, Real Money 101 will help you to make wise decisions about your fiscal future.

Real Money 101 was conceived to not only assist you in managing your student loan debt, but to give you the skills you need to manage your finances throughout your life. For further information about money and credit management, HESAA has created a team of professionals who can help answer your questions by calling (609) 588-3987.

Education is the key to learning, growing and achieving your dreams. With HESAA's Real Money 101 program, you will also learn how to manage your financial responsibilities and obligations.

Best Wishes,

Michael Angulo

E. Michael Angulo
Executive Director

table of contents

money management

Good financial habits don't start after you leave school; they begin now. During school, you can develop the necessary skills that will assist you with money management. Before we get started, answer these 20 yes/no questions to learn if you control your money, or if your money controls you. The answers are listed after the questions. DON'T CHEAT!!!

1. I start the week with money in my pocket, end the week with none and have no idea where it went. Y/N
2. I can pay for everything I need. Y/N
3. I pay my bills on time. Y/N
4. I pay one credit card bill with a cash advance on another card. Y/N
5. I charge daily living expenses, like shampoo. Y/N
6. My idea of a budget has three categories: Big Macs, movies, and "miscellaneous." Y/N
7. I rarely worry about money. Y/N
8. I know how I spent my last paycheck. Y/N
9. I often buy on impulse, figuring "you only live once." Y/N
10. I spend more time planning for spring break than planning my finances. Y/N
11. I haven't started investing because I can't seem to save up the couple thousand dollars I need to get started. Y/N
12. I know what my income will be, whether or not it's regular. Y/N
13. I have a plan to reach my money goals. Y/N
14. I know how much I owe on my student loans. Y/N
15. I have incorporated my estimated student loan payment in my budget. Y/N
16. Information on my credit report doesn't affect me. Y/N
17. I should check my credit report every year. Y/N
18. I apply for several credit cards at once, just in case I'm turned down. Y/N
19. All of my credit cards are at or near their credit limit. Y/N
20. If my card is lost or stolen, and someone else uses it, I'm stuck with the bill. Y/N

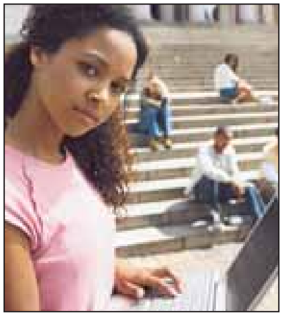
The information in this book can help you get control of your finances even if you don't have a lot of money.

If you missed more than three questions, you may need to make some changes in how you manage your money.

It's time for you to contact HESAA's Default Prevention Task Force at (609) 588-3249.

Key:

1. No	6. No	11. No	16. No
2. Yes	7. Yes	12. Yes	17. Yes
3. Yes	8. Yes	13. Yes	18. No
4. No	9. No	14. Yes	19. No
5. No	10. No	15. Yes	20. No



Why Budget?

A budget is the most fundamental and most effective financial management tool available to anyone.

Whether you are earning thousands of dollars a year or hundreds of thousands of dollars, it's extremely important to know how much money you have to spend and where it is going.

A budget is the first and most important step toward maximizing the power of your money.

Needs, Wants, And Goals

Your money should cover:

- Needs
- Wants
- Short-term goals
- Long-term goals

Needs, essential for survival, are things you cannot live without. They also include payments that you must make. Wants are things that you can live without, but you get them because you want them. Goals are things you want in the future. Your money should cover all your needs before your wants.

The chart to the right lists samples of needs, wants and goals.

Needs	• a place to live • utilities • basic food • basic clothes • transportation	• health care • taxes • repairs • payment on debts • childcare
Wants	• luxury food • luxury clothes • entertainment • hobbies	• magazines • books • computer • cable TV
Short-Term Goals	• buy a car • vacation	• new TV • pay off credit cards
Long-Term Goals	• buy a house • start own business	• send kids to college • retirement income

How To Budget Your Money In School And Beyond

Developing a budget will help you manage your finances and assist you in reaching your financial goals. To get started, figure out where your money goes. The first step is to keep track of all your spending for one month. Write down all expenses including purchases as minor as a cup of coffee. At the end of the month you will be able to accurately assess where your money is being spent.

The next step is to figure out your income. To correspond with step one, calculate your monthly income. Don't forget to use your net income, money left after all deductions have been taken out, because this is the money you will actually have available to you.

For some people, especially college students, pay may vary. The hours you work may vary from week to week, your income may include tips, or you may be paid on commission. If this is the case, the best way to evaluate your income is to figure out your average and use this number to calculate your budget.

As college students, you may have other sources of income such as:

- Financial aid refund
- Child support payments
- Public assistance
- Unemployment
- Gifts or bonuses

However, these sources of income may not be issued on a monthly basis. For example, if you are a financial aid recipient, your refund normally occurs at the beginning of each semester. Due to the fact that funds from these sources may not be available on a monthly basis, resist the temptation to spend your refund all at once. Incorporate these funds into your monthly budget. The sum of all of these sources, plus your wages, make up your monthly income.

The final component of your budget is determining your monthly expenses. In addition to your bills, your expenses should include money you spend; money you save; money you invest; and money you give away. You can refer to the list you made to track your spending to assist you in listing your expenses.

Expenses can be divided into three categories.

Fixed	Expenses do not vary from month to month.		
	• Rent	• Mortgages	
	• Car payments	• Loan payments	
Variable	Expenses that change from month to month.		
	• Groceries		
	• Utilities		
Periodic	Expenses that do not occur every month.		
	• Gifts	• Clothing	
	• Vacations		

Now that you have all the components of a budget, you must determine if your income exceeds your expenses or vice versa. If your income exceeds your expenses, you can use part of your excess on wants or goals, such as reducing your debt, purchasing a special item, or building your savings.

What do you do if your expenses exceed your income?

You have two choices:

1. Reduce your spending.
2. Increase your income.

Since increasing your income while in school may not be feasible, the best alternative is to reduce your expenses. You may also want to seek professional debt management help from one of New Jersey's Licensed Consumer Credit Counseling Agencies (for more information see the back cover).

Budget Worksheet

My Income

Wages	$ ________
Public Assistance	$ ________
Child Support/Alimony	$ ________
Interest/Dividends	$ ________
Social Security	$ ________
Other	$ ________
Total Income	**$** ________

My Expenses

Fixed Expenses

Rent/Mortgage	$ ________
Insurance	$ ________
Car Payment	$ ________
Car Insurance	$ ________
Loan Payments	$ ________
Day Care	$ ________
Total Fixed	**$** ________

Variable Expenses

Savings	$ ________
Gas	$ ________
Electricity	$ ________
Water	$ ________
Telephone	$ ________
Food	$ ________
Clothing	$ ________
Transportation	$ ________
Tuition	$ ________
Miscellaneous	$ ________
Total Variable	**$** ________

Total Expenses	**$** ________
Total Income	**$** ________
Total Expenses	**$** ________

Expected Starting Salaries

To help you develop a budget, we have provided a table of expected starting salaries. Listed below are typical starting salaries for recent graduates. Please check the "Average Entry-Level Starting Salaries" to get an estimate of your first year's salary. It is important that you use net income when figuring out your budget. If you cannot find your occupation below, you can visit **www.salary.com**.

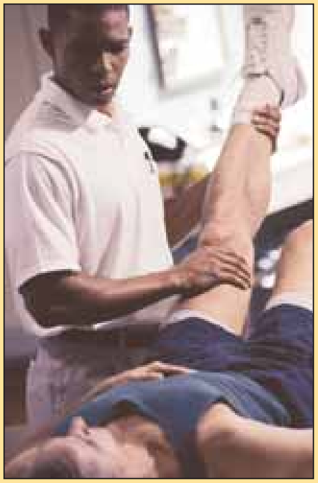
Average Entry-Level Starting Salaries

Occupation	Gross Salary
Accountant	$ 45,837.00
Computer Programmer	$ 62,201.00
Engineer	
Civil	$ 57,591.00
Mechanical	$ 63,854.00
Chemical	$ 64,433.00
Nurse (RN)	$ 67,214.00
Occupational Therapist	$ 74,890.00
Pharmacist	$118,002.00
Police Officer	$ 55,194.00
Sales-Retail	$ 48,597.00
Social Worker	$ 48,448.00
Teacher	$ 56,870.00

*Chart developed from www.salary.com.
Average starting salaries for class of 2007.

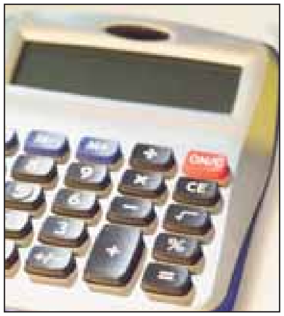
Sample Budgets

Social Worker	$	48,448
Net Monthly Income	$	2,700
Rent/Mortgage	-$	950
Food (including lunch)	-$	300
Utilities	-$	150
Car loan/transportation	-$	260
Student loan (10-year term)	-$	300
Miscellaneous	-$	300
Total	$	2,260
Monthly Surplus	$	440



Occupational Therapist	$	74,890
Net Monthly Income	$	3,800
Rent/Mortgage	-$	1,425
Food (including lunch)	-$	325
Utilities	-$	300
Car loan/transportation	-$	500
Student loan (10-year term)	-$	980
Miscellaneous	-$	300
Total	$	3,830
Monthly Deficit	-$	30

banking services

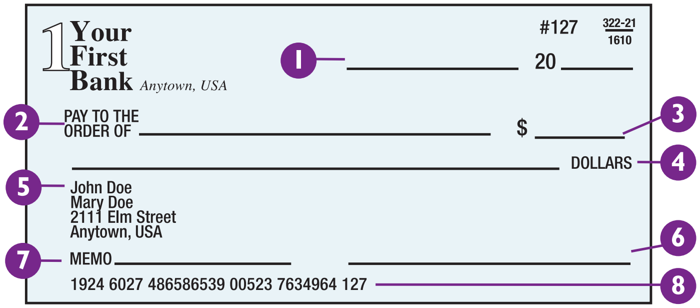


Banks are both a convenient and safe place to temporarily store your money until you either spend or invest it. They aren't only convenient because you can deposit or withdraw funds from your account at the corner ATM at any hour of the day or night, but with the advancement of technology you can now easily track all your account funds online. Banks provide a safe storage of your money because, in the United States, the federal government in some cases will insure bank deposits up to $250,000. The Federal Deposit Insurance Corporation (FDIC) is the government agency responsible for insuring banks, and helping to maintain a secure and efficient banking system.

Checking Accounts

Checking accounts traditionally are used to pay bills by writing a check or using a debit card. Usually, you place money in your checking account that you do not expect to keep for very long. There are many different types of checking accounts such as Basic Checking, Student Checking, Interest Bearing, Joint Checking, and Express Checking. When you want to open a checking account, it is recommended you do some research and see what local bank offers the most valuable deal that suits your needs.

How To Write A Check



1. Date. Enter the date you are writing the check.

2. Payee. Enter the name of the person or the company you are going to give the check to.

3. Amount of check in numerals. Enter the amount of the check, in numbers. Don't leave any space between the preprinted dollar symbol ($) and the numbers indicating the amount of the check; there should be no room for someone to add in extra numbers.

4. Amount of check in words. Enter the amount of the check in words. Start writing at the far left side of the line. Follow the dollar amount by the word "and," then write the amount of cents over the number 100. Draw a line from the end of the 100 to the end of the line.

5. Name. Your personal information is printed here. Never list your Social Security number on your printed check.

6. Signature. Sign your check exactly the way you signed your name on the signature card you filled out when you opened your account.

7. Memo. Use this space to note why you wrote the check. If you are paying a bill, this is a good place to put information requested by the company.

8. Identification numbers. These numbers are used to identify the bank, your account number, and the check number. They are printed in a special magnetic ink that machines can read.

Source: www.practicalmoneyskills.com

Debit Cards

There are currently two different types of debit cards used: online debit cards and offline debit cards. Online debit cards act as enhanced ATM cards, and require customers to submit their personal identification number (PIN) to authenticate the transaction/sale. This form of debit card instantaneously reflects the transaction in the user's account, therefore preventing overdraws. Offline debit cards are more like credit cards, offered by large credit companies such as Visa or MasterCard through a participating bank. However, these cards aren't as safe as online cards because they only require a signature to authorize a sale, and very rarely is the person using the card asked to present a form of identification. It also takes offline transactions 2-3 days before the balance is updated in the account.

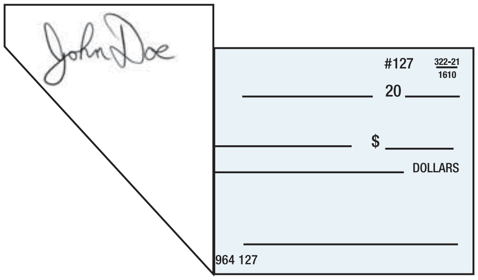
Advantages Of Debit Cards

- Alternative to carrying a checkbook or cash
- Looks like credit or ATM card, but used like cash or check
- Money is deducted from checking or savings account
- Easier to obtain than credit card

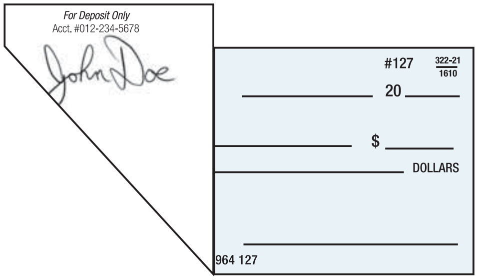
How To Cash A Check

Before cashing a check made out to you, sign your name on the back. Your signature must appear within $1\frac{1}{2}$ inches of the top. You can also write "For Deposit Only" and your account number above your signature. This ensures that the money goes into your bank account.

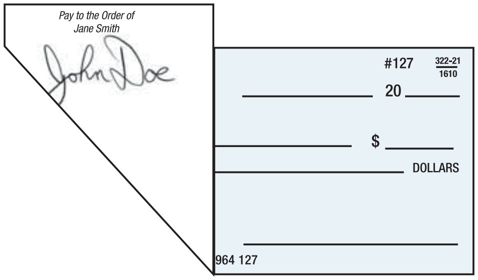
Blank Endorsement
Anyone can cash check



Restrictive Endorsement
More secure than blank endorsement



Special (or Full) Endorsement
Transfer check to another party



Source: www.practicalmoneyskills.com

Maintaining And Reconciling A Checkbook Register

It's important to keep track of your checking account. Record all of your checks, withdrawals, charges and deposits. However, that is only part of the responsibility of having a checking account. When you receive your bank statement, you should balance your checkbook. This ensures your records correspond with the bank's record of your account.

4 Steps in Reconciling a Checkbook

1. Retrieve current balance from bank statement
2. Add any deposits that are recorded in check register, but not on bank statement
3. Subtract outstanding checks (checks written but not yet cleared)
4. Compare results with current balance in check register

CHECK NO.	DATE	DESCRIPTION	TRANSACTION AMOUNT	DEPOSIT AMOUNT	BALANCE
					366.97
161	6/4	Sound Out	216.30		216.30
		new tape deck			150.67
ATM	6/18	Withdrawal	35.00		35.00
		Spending money			115.67
ChkCrd	6/18	Check Card	55.00		55.00
		Foodland Groceries			60.67
ATM	6/23	Deposit		1200.00	1200.00
		Transfer from savings			1260.67
162	6/24	Racy's	82.87		82.87
		New clothes			1177.80
ATM	6/25	Withdrawal	20.00		20.00
		Movie & pizza			1157.80
163	6/26	Woodland Apt's.	1000.00		1000.00
		Rent for everyone			157.80
ChkCrd	6/26	E-Z Shoppe	54.11		54.11
		Groceries			103.69
164	7/5	CD Place	26.31		26.31
		Acct. # 7M3406			77.38
165	7/17	Lucasfilm, Ltd.	10.00		10.00
		"Monkey Island" T-shirt			67.38
ATM	7/14	Deposit		253.17	253.17
		Paycheck			320.55

Source: www.practicalmoneyskills.com

Banking Statement

THIS STATEMENT COVERS
6/20/01 through 7/19/01

CHECKING ACCOUNT 0471-678	Previous Statement Balance On 6/19/01			150.67
	Total of 1 Deposits For			1200.00 +
	Total of 6 Withdrawals For			1246.98 -
	Total Service Charges			0.00 -
	New Balance			103.69 +
CHECKS AND OTHER DEBITS		**CHECK**	**DATE PAID**	**AMOUNT**
		161	6/21	216.30
		162	6/26	82.87
		163	6/29	1000.00
	ATM Withdrawal #00281 at ATM #423A		6/18	35.00
	ATM Withdrawal #00476 at ATM #426B		6/25	20.00
	Check Card #00586 Foodland EFT		6/18	55.00
	Check Card #01275 E-Z Shoppe		6/26	54.11
DEPOSITS AND OTHER CREDITS			**DATE POSTED**	**AMOUNT**
	Transfer from 4039-557 at ATM #423C		6/23	1200.00

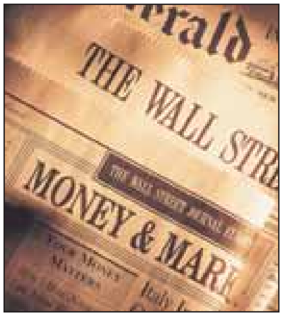
Source: www.practicalmoneyskills.com

Online Banking

Many new banking features are available due to the constantly growing world of technology. Some of these banking features include the ability to transfer money between accounts, view images of cancelled checks, print copies of those checks and pay bills online. Most of the online services are compatible with money management software like Quicken and Microsoft Money.

It's very easy to register for online banking. Just go to your bank's web site and follow the simple instructions to create your account. Once registered, you can then easily set up your billing accounts and even schedule payments to occur every month on accounts. Online banking eliminates the need for paper checks, is time efficient, very safe and is rapidly becoming the preferred method of banking.

financial investments



Financial Investments

Investing means putting your money where you think it will earn a profit. However, before you begin investing, you should have a sound budget and savings plan. We suggest that you consult several resources before investing such as financial magazines and newspapers, television and radio shows on money management, or investment consultants. Talk to others who have made similar investments. Obtain information from state and regulatory agencies, stockbrokers, insurance agents, and financial planners.

Types Of Savings Accounts

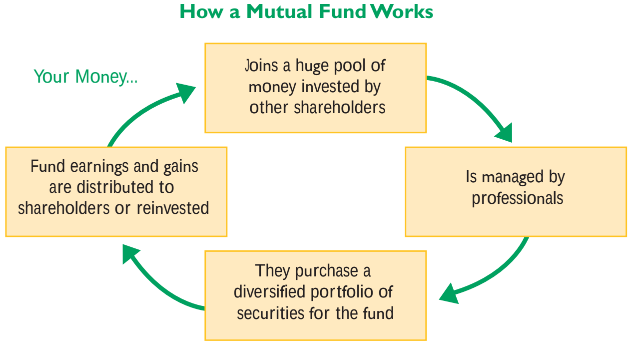
	Regular Savings Accounts (Deposit Accounts)	CDs (Certificates of Deposit)	Money Market Accounts
Description	• Money can be deposited at any time. • Deposits can be made at a bank branch, or at a MAC machine. • You may have a passbook or register online to check your balance. • You will get a monthly statement from the bank indicating transactions.	• You deposit $500 or more. • You agree to leave the money for a certain period (from a month to 5 years).	• You deposit a large amount to open the account. • The bank pays you interest based on the money market. • You can write a few checks each month.
Pros	• Either none, or low minimum balance requirement. • Your money earns interest. • You can withdraw your money at any time. • The bank may raise your interest if rates go up. • The bank may give you free checking if you have a savings account.	• You get higher interest than with regular savings. • Your interest rate stays the same, even if rates go down. • You can use CDs to plan for future money needs.	• You get higher interest than with regular savings. • Your interest rate can go up.
Cons	• CDs and Money Market accounts pay more interest. • You may need to keep a minimum balance. • The bank can lower your interest if rates go down.	• Your money is tied up for a specific period. • You pay large penalties if you withdraw it early. • Your interest rate stays the same, even if rates go up.	• You have to keep a large minimum balance. If you don't the bank charges high fees. • Your interest rate can go down. • These accounts are usually not insured.

Savings Bonds	• Issued by U.S. government. • Sold at most banks or electronically at www.savingsbonds.gov. • Don't require a lot of money. • No risk. • Can be purchased directly from electronic payroll deduction.
Annuities	• Tax Deferred Annuity is a contract between you and an insurance company for a guaranteed interest bearing policy with guaranteed income options. • Annuity pays you regularly in the future. • Most often pays off during retirement. • Often nontaxable until payments begin. • Low risk, generally high fees associated with these adjustments.
Mutual Funds	• Funds are a group of stocks, bonds, and other investments managed by investment experts. • Each investor buys shares in the fund. • Funds regularly pay profits to investors. • Investors can sell shares to make a profit, but may lose money if value has decreased. • Levels of risk and return vary.
Bonds	• Investor loans money to government or corporation that issues the bond. • Bonds take 5 to 20 years to mature. • Low to moderate risk.
Stocks	• Investor buys shares from a broker or from an electronic broker. • Stocks rise in value when corporation does well. Stocks may decrease in value. • Success requires knowledge of the stock market. • Risk varies.
Real Estate	• Investor may make money by buying property and renting it out. • Investor may make money by buying property and selling it for a profit. • Moderate to high risk.

Financial Planners

- Some may charge a fee. (They present more options.)
- Some work on commission. (They may try harder to sell you particular investments.)

Mutual Fund Focus



Investment Company Institute

Here's what mutual fund investing can mean to you. Today, more than 50% of all U.S. households invest in mutual funds.*

When you join them, you enjoy all these advantages:

- Diversification** can help reduce your risk. Mutual funds are a great way to avoid "putting all your eggs in one basket." As a mutual fund investor, you own shares in a portfolio made up of as many as several hundred different securities – far more than you could ever hope to invest in as an individual.
- Professionals who manage your dollars. When you invest in a mutual fund, you're actually hiring full-time investment professionals. On your behalf, these professionals pursue the best possible performance for a mutual fund – devoting their careers to buying and selling securities for fund investors like you.
- Easy access to your money. On any business day, you can redeem your shares for cash, which may be more or less than the original price you paid per share.
- More ways to adapt to your changing needs. You can easily exchange shares of one fund for shares of another, to adapt to changes in your personal financial goals or market conditions.***
- Reinvest your earnings automatically. An easy way to build the number of your shares is to reinvest your earnings automatically.

* Source: Investment Company Institute

** Diversification does not assure a profit or protect against loss.

*** This ability to exchange may be modified or discontinued at any time.

Rule of 72

The "Rule of 72" is a mathematical guide that can help you calculate when money will double at a given interest rate. It's called the "Rule of 72" because at 10%, money will double every 7.2 years. To use this Rule, simply divide the interest rate into 72. It is important to note that this "Rule of 72" is intended as an educational and planning tool and as such should not be construed as investment advice.

Example:

If you want to know how long it will take to double your money, take the number 72 and divide that number by the interest rate you are getting. So if you deposit $3,000 into an account with a 2% interest rate, 72 ÷ 2 is 36. So in 36 years you will have $6,000.

Rule of 72

- Determines how many years it will take to double your money
- 72 / Interest rate = years to double investment

Build An Investment Plan

8 Steps to Help You Achieve Success

A well thought-out financial plan is critical to your financial future. Taking the time to plan and make decisions now can make all the difference in the years ahead. And it doesn't have to be hard. Here are 8 simple steps to help you on your way.

Set Clear Goals

Defining your objective and understanding your own tolerance for risk is your first step. Think about where you want to be and work backwards to determine what it will take to get there. This can help motivate you and keep you focused on your strategy.

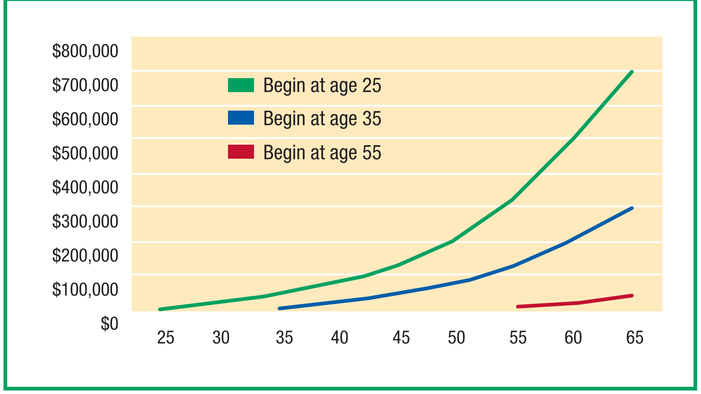
Establish a Strategy

A sound and realistic financial plan is your road map to your goals. Talk through your objective and the time horizon. Set intermediate markers with your financial advisor to help you monitor your progress. Review your investments, choose a mutual fund family that can work for you today, and adjust to your future needs.

Start Early

Once you have identified your goals and developed a strategy with your financial advisor, it's best to put your money to work as soon as possible. Procrastination can be costly. A systematic investment plan can help you make timely periodic investments into your selected fund choices. Smart investing is a matter of commitment and diversification.

Time Can Make All The Difference
Growth of $200 Investment Per Month



This graph illustrates the potential advantages of investing early. It assumes an investment return of 8% and the reinvestment of all dividends. It is not indicative of the performance of any particular investment or mutual fund. The value of an actual investment and the rate of returns will vary. Systematic investing does not assure a profit or protect against loss in declining markets.

Pay Yourself First

Many investors find it difficult to make a commitment. One of the easiest and surest ways to get started is to invest a set amount on a regular basis.* Regular investing helps you take advantage of a simple concept called dollar-cost averaging,** in which a set amount invested buys more shares when share prices are low, and fewer shares when prices are high. As a result, your average cost per share is lower than the average price per share.

* Systematic investing does not assure a profit or protect against loss in declining markets.

** Because dollar-cost averaging involves continuous investment regardless of fluctuating price levels, investors should consider their financial ability to continue making purchases during periods of low price levels.

Help Protect Against Inflation and Taxes

Every successful financial plan includes a strategy to reduce the impact of inflation and taxes. If your investments earn less after taxes than the rate of inflation, your purchasing power will decrease over time. History has shown that equity investments are the best hedge against inflation because of their potential for higher returns. Of course, equity investments are also subject to greater risk than other types of investments. An IRA is a great way to save on current taxes and to shelter investment growth and income from annual taxation until your money is withdrawn.***

Stay Focused

Establish your time horizon for investing and stick to it. Avoid getting caught up in the day-to-day shifts in market performance and your funds' share prices. For longer-term investments, use time as a valuable ally and learn to look past short-term fluctuations.

Diversify

A mutual fund offers investors the opportunity to pool their money to own shares in a portfolio of dozens, or even hundreds of securities. But there's more to diversification than simply investing in one mutual fund. The best type of diversification occurs when you spread your investments across a mix of "asset classes," or financial markets, such as equities, bonds and money market securities. This strategy, called "asset allocation," can help you capture the combined performance of several markets and smooth out downturns in any single one.†

Your financial advisor can assist you in properly diversifying your portfolio and can help explain the broad array of choices.

*** Distributions of deductible contributions and earnings from Traditional, SEP, and Simple IRAs are subject to income tax when withdrawn and may be subject to a 10% penalty if the withdrawal is made before the age of 59 1/2.

† Diversification does not assure a profit or protect against loss.

Rely On the Experience of Professionals

In a specialized world, investing can seem complicated. That's why your funds should have a dedicated team of professionals working behind the scenes for you.

Source: MTB Funds

identity theft

What Is It?

When someone, without lawful authority, knowingly transfers or uses a “means of identification” of another person with the intent to commit, or aid and abet, any unlawful activity that violates federal law, or that constitutes a felony under any State or local law.

Some examples: Identity theft occurs when someone steals your personal information to take over your credit accounts, open new ones, take out a loan, rent an apartment, access bank accounts, or commit many other crimes using your identity.

How Identity Theft Strikes

When it strikes, the effects can be devastating. What’s more, because it frequently involves no physical theft, identity theft may not be noticed by its victims until significant damage has been done – often, several months and thousands of dollars later.

First, they steal your personal information by…

- Going through your mail or trash, looking for bank and credit card statements, pre-approved credit offers, and tax information.
- Stealing personal information from your wallet or purse such as identification, credit, or bank cards.
- Completing change-of-address forms to redirect your mail.
- Obtaining your credit report by posing as a landlord or someone else who has a lawful right to the information.
- Acquiring personal information you share on unsecured sites on the Internet.
- Buying personal information about you from an inside source – for example, a store employee that gets your information from a credit application or by “skimming” your credit card information when you make a purchase.
- Getting your personnel records at work.

Then they use your personal information by…

- Opening new credit card accounts using your name, date of birth, and Social Security number. When they use the credit cards and don’t pay the bills, the delinquency is reported on your credit report.
- Establishing phone or cellular service in your name.
- Opening a bank account in your name and writing bad checks on the account.
- Counterfeiting checks or debit cards, and draining your bank account.
- Buying cars by taking out auto loans in your name.
- Calling your credit card issuer and, pretending to be you, changing the address on the account. Bills get sent to the new address, so you don’t realize there’s a problem until you check your credit report.
- Filing for bankruptcy using your name to avoid paying debts they’ve incurred under your name.

Monitor Your Credit Report Closely

Unless you check your credit report frequently, there's often no way to tell if identity thieves have used your personal information to obtain credit accounts or other services in your name.

To help protect yourself from impostors and identity thieves having expanded access to your credit report, there are credit monitoring services that can help you get an early alert to new and suspicious activity on your credit report. The three major credit reporting agencies (TransUnion, Equifax and Experian) all have individual credit monitoring services that can be subscribed to for a monthly fee.

No Credit Card Is Necessary

Credit card fraud is just one type of identity theft. While a thief may use your information to apply for a new credit card, some types of identity theft don't involve credit cards at all. Someone with a bad credit rating may use your personal information to get a car loan, acquire phone service, or another utility service, or open a bank account in your name.

Such cases can be seriously damaging, since you may not realize anything is wrong until you notice unfamiliar charges on your monthly bills or statements.

Did You Know?

According to the Federal Trade Commission, identity theft complaints are broken down as follows:

- About 50% reported that a credit card was opened in their name.
- 25% reported that the thief established new telephone, cellular, or another service in their name.
- 16% reported that a bank account was opened in their name, or unauthorized withdrawals had been made from their account.
- 9% reported that the thief obtained a loan in their name.
- 8% reported that the thief obtained a fraudulent document such as a driver's license.

debt management

Credit

The term *credit* refers to a contractual agreement in which a borrower receives something of value now and promises to repay the debt to the lender at a later date. A person's credit profile typically determines for what purpose, how much and how long, and at what interest rates they will be permitted to borrow. You not only need to manage your money wisely, you also need to manage your credit wisely. Having good credit makes it more likely that you can get financing whenever you want to make a major purchase such as a car or home. Maintaining good credit makes you more attractive as a borrower, which can translate to paying lower interest rates than a person with poor credit.

Credit Cards

Credit cards are attractive because of their convenience. Imagine how difficult it would be to make a hotel reservation or rent a car without a credit card. However, in order to receive a credit card you need to have decent credit. Credit card companies don't normally give credit cards to people with suspect credit.

Selecting a credit card and key terms

When selecting a credit card, you should shop around for the best deal based on your budget and repayment habits. Here are some suggestions that will assist you in selecting a credit card.

- A low annual percentage rate. The lower the rate the less interest you have to pay. Beware of "teaser" rates that increase after a year or less or if you are late in making a payment.
- The interest rate calculation method. This affects how much interest you pay, even when the APR is identical. The standard method of capitalization is once per month.
- Low or no annual fees. If the issuer charges an annual fee, ask them to waive it.
- Review all other charges such as late payment fees, transaction fees, over the limit fees, etc. These hidden fees can increase your debt substantially.
- A grace period. Not to be confused with a grace period on your federal student loans, is the number of days you have to pay your balance in full before the card issuer starts to charge interest. This normally does not apply if you carry a balance or take a cash advance.
- Credit limit. It is a good idea to start small, anywhere from $500 to $1500.
- Wide acceptance. A major credit card is convenient and easier to manage.
- Services and features such as cash rebates, frequent flyer miles, extended warranties, etc.

Types of Credit

1. Revolving Credit – Consumer credit lines that can be used up to a certain limit or paid down at any time. Credit cards such as Visa or MasterCard are examples of revolving credit.
2. Installment Credit – A loan borrowed for a specific purpose that is repaid with interest in equal periodic payments. Examples of installment credit are home mortgages, car loans, and student loans.
3. Open Credit – Unlimited purchasing power that must be paid in full at the end of the billing cycle. American Express Green card is an example of open credit.

Compare the terms and conditions and decide which card is best for you. If you intend to pay your balance in full each month, a major credit card that has a higher annual percentage rate, but has a grace period and no annual fees would work best. If you plan to carry a monthly balance, look for a low annual percentage rate.

Importance Of Establishing Good Credit

As mentioned before, having good credit makes an individual more attractive as a borrower, but credit can impact other areas of your life as well. Having poor credit can hinder your job search. Many employers are now checking credit reports as part of their screening process. Also, many landlords check credit before renting out apartments. Finally, some auto insurance companies now check credit; if you have a poor credit history you would likely pay more for auto insurance than someone with good credit. If your credit is bad, you may not be able to get a job, rent an apartment, or obtain automobile insurance.

Credit Reports

A credit report is a detailed record of your credit activity. In essence, it is your report card on how you handle the responsibilities associated with credit. All credit reports contain basically the same information; however, the format will vary from agency to agency. Your Social Security number, date of birth, and employment information are used to identify you. These factors are not used in scoring.

Credit reporting agencies collect and organize information about you and your repayment history and make it available to those who are considering granting you credit. There are three major credit reporting agencies (see chart). It is recommended that you check your credit report at least once per year to ensure the information on your report is accurate. This can also help you identify and ward off identity theft.

Credit Scores

Since the credit report is a detailed record of your credit activity, your credit scores are your grades on how well you have managed your credit; the higher the score the better. Most lenders rely on credit scores from Fair Isaac's Corporation (FICO®).

FICO® compiles a score from each of the three major credit reporting bureaus. FICO® scores range from 300 to 850, with a median score of 723 in the U.S. Scores above 700 are generally considered to be good credit scores and scores above 775 are considered excellent by most lenders. The higher your credit score, the more likely you will pay a lower interest rate on credit.

For example, according to the Internet site myfico.com, if your credit score is between 760-850 and you apply for a $150,000, 30 year fixed rate mortgage, your interest rate* will be 4.83 percent, and your monthly payment will be approximately $789/month. If your credit score is between 620-659, your interest rate* will increase to 6.42 percent and your monthly payment will be approximately $940/month. The person with better credit will pay approximately $54,360 less than the person with the lower credit score over the life of the loan!

* Based on 9/09 interest rates.

AnnualCreditReport.com
is the official site to help consumers obtain a free credit report from all three top credit reporting agencies
Experian
Equifax
TransUnion
or call
1-877-322-8228

Factors affecting credit scores

Here are some of the factors that impact your credit score:

- Paying your bills on time
- Total debt
- Amount owed on all credit card accounts
- Age of credit accounts
- Number of credit accounts including the number of credit inquiries
- The proportion of credit card balances to total available credit card limit
- Number of credit card accounts opened in the past 12 months
- Number of financed accounts
- Occurrence of negative factors such as serious delinquency, derogatory public records, past due accounts that have been turned over to collection agencies, bankruptcies, student loan defaults, and foreclosures.

As you can see from the list, just paying your bills on time does not guarantee good credit. Too many credit inquiries made by creditors can have a negative effect on your credit score.

New Credit Card Rules* *(effective 2010)*

- Retroactive rate increases
- More advance notice of rate hikes
- Fee restrictions
- Restricts marketing & issuance to students
- Ends double-cycle billing
- Fairer payment allocation
- More time to pay
- Gift card protections

**www.bankrate.com*

What is not in your credit score

There are several factors that are not considered in calculating your credit score. Here are some listed below:

- Your race, color, religion, national origin, sex, marital status.
- Where you live.
- Your salary, occupation, title, employer, date employed, or employment history.

  Some lenders may consider this information and some of this information is used as identifying information.
- Interest rates currently being charged on credit cards or other accounts.
- Items reported as child/family support obligations or rental agreements.
- Certain types of credit inquiries.
- Checking your own credit, "consumer inquiries," does not have an impact on your credit score. Other types of credit inquiries that do not impact your credit scores are "promotional inquiries" and "administrative inquiries." These are requests made by lenders to "preapprove" you for a credit offer or your current lenders making an inquiry to review your account.
- Any information not found in your credit report.
- Any information that is not proven to be predictive of future credit performance.
- If you are participating in credit counseling of any kind.

How to read your credit report

Part of maintaining good credit is to check your credit report at least once per year from each of the three major credit reporting agencies. To request a copy of your credit report from the credit reporting agencies listed on page 18, go to the web site or call the toll-free number.

Once you receive your copy of the credit report, you need to know how to read the information.

This page illustrates a sample credit report.

The Personal Identification Information is all the information that uniquely identifies you from someone else with a similar name.

The listings under Public Record include bankruptcies, foreclosures, suits, wage attachments, liens, and judgments. Collection Agency Account Information is information on overdue debt with collection agencies.

Credit Account Information provides a list of all companies that have an open credit account in your name. The information provides the account number, date opened, date of last activity, credit limit, balance, past due as well as other relevant categories. Also listed is your previous payment history, indicating late payments and account status. The last section, Companies That Requested Your Credit File, is a simple list of all companies and the dates that they have requested your credit information.

Your Credit Report

Please address all future correspondence to:
Credit Reporting Agency
Business Address
City, State 00000

PERSONAL IDENTIFICATION INFORMATION

Your Name
123 Current Address
City, State 00000

Social Security #: 123-45-6789
Date of Birth: April 10, 1940

Previous Address(es)
456 Former Rd. Atlanta, GA 30000
P.O. Box XXXX Savannah, GA 40000

Last Reported Employment:
Engineer, Highway Planning

PUBLIC RECORD INFORMATION

Lien Filed 03/93; Fulton CTY; Case or Other ID Number – 32114; Amount - $26,667 Class – State; Released 07/93; Verified 07/93

Bankruptcy Filed 12/92; Northern District Ct; Case or Other ID Number – 673HC12; Liabilities - $15,787; Personal; Individual; Discharged; Assets - $780

Satisfied Judgement Filed 07/94; Fulton CTY; Case or Other ID Number – 898872; Defendant – Consumer; Amount - $8,984; Plaintiff – ABC Real Estate; Satisfied 03/95; Verified 05/95

COLLECTION AGENCY ACCOUNT INFORMATION

Pro Coll (800) XXX-XXXX
Collection Reported 05/96; Assigned 09/93 to Pro Coll (800) XXX-XXXX Client ABC Hospital; Amount - $978; Unpaid; Balance $978; Date of Last Activity 09/93; Individual Account; Account Number 787652JC

CREDIT ACCOUNT INFORMATION

COMPANY NAME	ACCOUNT NUMBER	WHOSE ACCT.	DATE OPENED	MONTHS REVIEWED	DATE OF LAST ACTIVITY	HIGH CREDIT	TERMS	BALANCE	PAST DUE	STATUS	DATE REPORTED
Department St.	32514	J	10/86	36	9/97	$950	X	$0	X	R1	10/97
Bank	1004735	A	11/86	24	5/97	$750	X	$0	X	I1	4/97
Oil Company	541125	A	6/86	12	3/97	$500	X	$0	X	01	4/97
Auto Finance	529778	I	5/85	48	12/96	$1,100	$50	$300	$200	I5	4/97

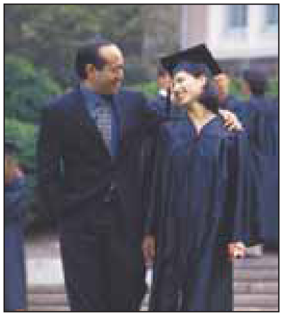
Previous Payment History: 3 Times 30 days late; 4 Times 60 days late; 2 Times 90+ days late
Previous Status: 01/97 – I2; 02/97 – I3; 03/97 – I4

COMPANIES THAT REQUESTED YOUR CREDIT FILE

09/06/97	Equifax – Disclosure	08/27/97	Department Store
07/29/97	PRM Bankcard	07/03/97	AM Bankcard
04/10/97	AR Department Store	12/31/96	Equifax – Disclosure ACIS 123456789

Source: www.practicalmoneyskills.com

student loans



After you've taken advantage of all other available forms of financial aid, like grants or scholarships, you may need to consider borrowing to cover remaining college costs. Borrowing money to pay for college is a serious matter, and repayment of that obligation is a major responsibility. The next section will assist you in managing your student loans during and after you leave school.

Basics Of Borrowing For College

Educational loans can be a valuable resource for meeting expenses at a college, university or postsecondary institution. You must remember that these are loans that must be repaid with interest. The amount borrowed must be carefully managed. Borrowing now will have an impact on your future lifestyle and ability to support other financial obligations. The first and most important step is to educate yourself about the basic loan programs. Before you sign the promissory note, you should have a clear understanding of the various loan programs.

Understanding Loan Types

PROGRAM	FEDERAL PERKINS LOAN	SUBSIDIZED STAFFORD LOAN*	UNSUBSIDIZED STAFFORD LOAN*	FEDERAL PLUS LOAN*
DESCRIPTION	A loan for students. A low-interest loan funded by the federal government and administered by the college.	A loan for students. A low-interest loan funded and administered by a lender. For FFELP, the lender is a financial institution or the college. For FDLP, the U.S. Department of Education is the lender.	A loan for students. A low-interest loan funded and administered by a lender. For FFELP, the lender is a financial institution or the college. For FDLP, the U.S. Department of Education is the lender.	A loan for parents or graduate students. A loan to pay for a student's education. Funded and administered by a lender. For FFELP, the lender is a financial institution or the college. For FDLP, the U.S. Department of Education is the lender.
ELIGIBILITY	U.S. citizen or permanent resident. Full or part-time undergraduate or graduate students. Priority is offered to Pell Grant recipients. Need based.	U.S. citizen or permanent resident. Full or part-time undergraduate or graduate students. Need based.	U.S. citizen or permanent resident. Full or part-time undergraduate or graduate students.	U.S. citizen or permanent resident. Graduate students and parents of full or part-time undergraduate students. Non adverse credit history.

* Federal Family Education Loans (FFEL). Characteristics of Federal Direct Loans (FDL) are essentially the same, though repayment terms and interest rates may differ slightly.

Understanding Loan Types †

PROGRAM	FEDERAL PERKINS LOAN	FFEL* STAFFORD LOAN BASE** AMOUNT	ADDITIONAL DEPENDENT LOAN TOTALS	ADDITIONAL INDEPENDENT LOAN TOTALS	FEDERAL PLUS LOAN*
AMOUNT	Undergraduate: up to $5,500 per year. Total aggregate of up to $27,500. Graduate: up to $8,000 per year. Total aggregate of up to $60,000.	Undergraduate: (Subsidized/Unsubsidized) Year 1: $3,500 Year 2: $4,500 Year 3: $5,500 Year 4: $5,500 Graduate: $8,500	Undergraduate: (Unsubsidized) - Total Year 1: $2,000 - $5,500 Year 2: $2,000 - $6,500 Year 3: $2,000 - $7,500 Year 4: $2,000 - $7,500 Graduate: N/A	Undergraduate: (Unsubsidized) - Total Year 1: $6,000 - $9,500 Year 2: $6,000 - $10,500 Year 3: $7,000 - $12,500 Year 4: $7,000 - $12,500 Graduate: $12,000 - $20,500	Not to exceed the estimated cost of attendance minus the student's financial aid for the academic period.
INTEREST RATE 2009 - 2010	5%		Subsidized Undergraduate: 5.60% Subsidized Graduate: 6.80%	Subsidized Undergraduate: 6.80% Subsidized Graduate: 6.80%	PLUS: 7.90% GradPLUS: 7.90%
REPAYMENT TERMS	Up to 10 years to pay depending on amount owed.	Repayment terms vary from 10 to 25 years based on selected repayment plan option.	Repayment terms vary from 10 to 25 years based on selected repayment plan option.	Repayment terms vary from 10 to 25 years based on selected repayment plan option.	Up to 10 years.
MINIMUM REPAYMENT	$480 per year ($40 per month)	$600 per year ($50 per month)	$600 per year ($50 per month)	$600 per year ($50 per month)	$600 per year ($50 per month)
INTEREST SUBSIDY	Student pays no interest while in school or during grace period.	Subsidized: Student pays no interest while in school or during grace period. Unsubsidized: No interest subsidy	Subsidized: Student pays no interest while in school or during grace period. Unsubsidized: No interest subsidy	Subsidized: Student pays no interest while in school or during grace period. Unsubsidized: No interest subsidy	No interest subsidy
REPAYMENT BEGINS	Following 9 month grace period after leaving school.	Following 6 month grace period after leaving school.	Following 6 month grace period after leaving school.	Following 6 month grace period after leaving school.	60 days after funds are disbursed with option to defer until student graduates.

* Federal Family Education Loans (FFEL). Characteristics of Federal Direct Loans (FDL) are essentially the same, though repayment terms and interest rates may differ slightly.

** Stafford loan base amounts indicate the maximum subsidized loan as per a student's financial need and may include an unsubsidized loan to reach the limit for each grade level.

† For complete loan details, visit www.hesaa.org.

If you have a student loan, get to know…

Your rights as a borrower:

- Before you begin to repay your student loan, the holder/servicer of the loan is required to give you a repayment schedule and information about interest rates, fees, outstanding balance, and repayment options.
- You have the right to request a deferment for a defined period after the grace period expires. You must apply and be approved for this deferment.
- You have the right to request a forbearance. Again, you must apply and be approved for this forbearance.
- You may repay your loan in whole or in part, at any time without penalty.

Your responsibilities:

- You must complete an exit interview session before you leave school or drop below half-time enrollment.
- You must repay your loans, even if you do not complete the academic program, or may be dissatisfied with the education you received, or are unable to find employment after graduation.
- You must notify the holder/servicer of your loan immediately of any changes to your name, address, telephone number, or Social Security number. You must also provide notification if you withdraw from school, drop below half-time enrollment, transfer to another school, fail to enroll, or re-enroll in school for a period which the loan was intended, graduate, or change your expected graduation date.
- You must make your loan payments on time after you leave school, unless a deferment or forbearance was granted.

Tips For Managing Your Student Loan While You Are In School

- Keep copies of all your student loan paperwork in one location.
- Read and act on any letters received from your lender or school. If you are not sure what to do, contact the financial aid office at your school.
- **ALWAYS BORROW CONSERVATIVELY.** Never borrow more than you need.
- Remember the "rule of 125." For every $10,000 borrowed in student loans, your monthly payment will be approximately $125/month.

Consequences Of Defaulting On Your Student Loan

- Your credit rating will be severely affected, and may make it difficult or impossible to obtain loans, mortgage and credit lines.
- Your wages may be garnished.
- You will incur collection costs, which increase what you owe by approximately 20%.
- Your ability to obtain employment may be limited.
- Your checking/savings account may be seized.
- You may not be able to obtain an apartment.
- Your state and federal tax refunds and/or Homestead Rebate may be retained to offset the money you owe.
- Your professional and/or occupational licenses may be suspended.
- Legal action will be taken against you.
- You will be ineligible for additional state and/or federal student aid.
- Your lottery winnings may be retained to offset the money you owe.

Loan Consolidation

If you have several different student loan payments and you wish to make just one payment, you may apply for federal loan consolidation. A federal consolidation loan allows students to combine all of the federal loans they received into a single loan payment. When your federal consolidation loan is issued, your new lender pays off the outstanding balance of all the loans you selected to consolidate. Consolidation may help reduce monthly expenses, however, it could result in you paying more over the life of the loan.

Eligible Loans

- FFELP Loans (Stafford, PLUS and Consolidation Loans)
- Federal Insured Student Loans
- Federal Direct Loans
- Federal Perkins Loans
- Auxiliary Loans to Assist Students
- Health Professions Student Loans
- Nursing Student Loans
- National Direct Student Loans
- Loans for Disadvantaged Students

What To Do If You Have Problems Repaying Your Student Loan

If you are having problems making your student loan payment, you should call your loan servicer/holder immediately. You may be eligible for a deferment or a forbearance.

Deferment

Deferment is a temporary postponement of your student loan because of one of the following reasons:

- return to school
- unemployment
- economic hardship

To request a deferment, you need to complete a deferment form, which is available from your loan servicer/holder.

Deferments take time to process and you must continue to make your payments until your application is approved.

Forbearance

If you cannot make your student loan payments because you are experiencing temporary financial hardship and you do not qualify for a deferment, you can apply for a forbearance:

- postpone payments
- reduce payments

Interest will continue to accumulate during this time period. You must complete an application and continue to make payments until notified.

web resources

The following Web Sites can provide additional assistance.

Money Management

www.money.com
www.kiplinger.com
www.myfico.com
www.practicalmoneyskills.com
www.msnmoney.com
www.njcfe.org

Banking Services and Financial Investments

www.mymoney.gov
www.bankrate.com
www.checkfree.com
www.usatoday.com
www.usnews.com

Consumer Credit

www.annualcreditreport.com
www.optoutprescreen.com
www.controlyourcredit.gov
www.identitytheft.gov

Career Planning

www.vault.com
www.salary.com
www.careermag.com
www.careerbuilder.com

Debt Management

www.360financialliteracy.org
www.powerpay.org
www.nfcc.org
www.ftc.gov
www.state.nj.us/dobi

Student Loans

www.hesaa.org
www.mappingyourfuture.org
www.ed.gov
www.studentaid.ed.gov

HESAA's mission statement

Our mission is to provide students and families
with the financial and informational resources for students
to pursue their education beyond high school.

New Jersey Licensed Budget/Credit Counseling Agencies

Consumer Credit Counseling Service
of Delaware Valley
(800) 989-2227
www.cccsdv.org

Consumer Credit Counseling Services
A Division of Money Management International
(866) 889-9347
www.moneymanagement.org

Nova Debt
Garden State Consumer Credit Counseling
Organization
(800) 992-4557
www.novadebt.org

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
(800) 792-8670
www.hesaa.org