



*Creating Opportunities for a Better Tomorrow*

135 Main Street, M&T Bank Building, 2<sup>nd</sup> floor, Nyack, NY 10960 (845) 358-8929 www.uwrc.org

## Creating Assets \$avings and Hope (**CASH**) Program Community Resource Guide

The United Way of Rockland County and AARP partner during the tax season to provide the **CASH** program. Through the **CASH** program, AARP provides free income tax preparation and electronic filing to income eligible residents and seniors; while United Way provides access to benefit programs in the community and educational financial information.

This *Community Resource Guide* was developed as a resource for individuals and families participating in the **CASH** program. Inside this guide you will find contact information for community programs that provide assistance and educational financial information in the following areas:

### **Section I. COMMUNITY RESOURCES**

- I. Employment Assistance
- II. Financial Assistance
  - a. Utility
  - b. Housing
  - c. Telephone/Cell Phone
- III. Home Weatherization Assistance
- IV. Childcare Assistance
- V. Tax Assistance
- VI. Food Assistance
- VII. Food Pantries/Soup Kitchens
- VIII. Medical and Prescription Assistance
- IX. Information and Referral Assistance
- X. Thrift Shops

### **Section II. MONEY, MONEY, MONEY**

- I. Understanding Deposit Accounts
- II. Developing a Financial Plan
- III. Understanding Credit
- IV. Additional Financial Educational Resources

*Publication and distribution of this guide made possible by a grant from*



## COMMUNITY RESOURCES

### I. Employment Assistance

**Tomorrow's Workplace** (845)356-5100 [www.tomorrowworkplace.org](http://www.tomorrowworkplace.org)  
Employment Services, staffing support, youth development and employment.

### II. Financial Assistance

**Temporary Financial Assistance** (845) 364-3100 [www.MyBenefits.ny.gov](http://www.MyBenefits.ny.gov)  
A variety of federal and state cash assistance programs for individuals and families.

**Home Energy Assistance Program (HEAP)** (845) 364-3480  
A Federally-funded program that provides a utility payment benefit directly to the utility service provider for low income, elderly and/or disabled consumers.

**Electric/Gas Utility Payment Assistance Program** – Salvation Army (845) 352-9577  
The Salvation Army administers The Neighbor Fund program on behalf of Orange & Rockland Utilities. Evaluates Neighbor Fund applications and distributes grants from October through June each year. The Neighbor Fund is an emergency utility assistance payment program.

**United Water Utility Payment Assistance Program** – Salvation Army (845) 352-9577  
The Salvation Army administers The United Water Cares program on behalf of United Water Utility. Evaluates applications and distributes grants under the program.

**Rent Arrears/Eviction Assistance Program-** Catholic Community Services of Rockland  
(845) 942-5791 [www.ccsrockland.org](http://www.ccsrockland.org)  
Offers case management and emergency relief funds to assist those facing a housing crisis.

**Telephone Assistance Program** - NYS Department of Public Services  
(888)-641-8722 [www.Lifeline.gov](http://www.Lifeline.gov)  
Federal public assistance program that help to ensure that telephone service is available & affordable to low-income subscribers. Lifeline provides discounts on monthly phone service charges.  
Verizon (800) 837-4966  
AT&T (800) 288-2747

### Cell Phone Assistance Programs

Safelink Wireless	(800) SAFELINK	<a href="http://www.safelink.com">www.safelink.com</a>
Assurance Wireless	(888) 898-4888	<a href="http://www.AssuranceWireless.com">www.AssuranceWireless.com</a>
Xchange Telecom, Inc.	(877) 853-8350	<a href="http://www.xchangetele.com">www.xchangetele.com</a>

Provide eligible households with a free cell phone, unlimited 911 access and monthly minutes of free talk-time.

### III. Home Weatherization Assistance

**Office for the Aging** (845) 364-2110  
Assists income-eligible seniors by reducing their heating/cooling costs and improving the safety of their homes through energy efficiency measures.

**Rockland Community Development Council** (845) 352-1400  
Assists income-eligible homeowners and renters to improve the energy efficiency of their homes. Also offers assistance & information on NYS Energy Research and Development Authority programs and applications for energy rebates & incentives.

### IV. Child Care Assistance

**Rockland County Department of Social Services** (845) 364-3797  
This is a program that helps pay the cost of childcare to enable a parent or caretaker to work. Based on income eligibility and parent must be employed.

**Child Care Resources of Rockland** (845) 425-0009 [www.childcarerockland.org](http://www.childcarerockland.org)  
Resources and referral services to accessible, affordable and quality child care.

## **V. Tax Assistance**

### **Federal Child Tax Credit** (800) TAX-1040 [www.irs.gov](http://www.irs.gov)

A refundable tax benefit offered by the Federal government for taxpayers raising dependant children under the age of 17 years. Anyone who claims a child under 17 years on his or her tax form, regardless of his or her income, may be eligible to receive a tax credit per child.

### **NY State Empire Child Credit** (518) 457-5181

A refundable credit for full-year NY State residents. For low and moderate-income taxpayers. Must meet certain income thresholds plus have a qualifying child.

### **Federal Child and Dependent Care Tax Credit** (800) TAX-1040 [www.irs.gov](http://www.irs.gov)

This is a special non-refundable tax benefit offered by the federal government for working people who pay for child or dependent care.

Taxpayer must have been gainfully employed the year prior to application and paid out-of-pocket expenses for child and dependent care.

### **Earned Income Tax Credit** (800) TAX-1040 [www.irs.gov](http://www.irs.gov)

The Federal and State Earned Income Tax Credits are refundable tax benefits for working people with low or moderate incomes. Taxpayers must have earned income during the year, be raising children who live with them for more than half a year, and have income below federal/state guidelines for the year.

## **VI. Food Assistance**

### **Food Stamps** (845) 364-3100

This is a Federal program that enables low-income households to meet their food needs. Food Stamp benefits are accessed with an Electronic Benefits Transfer (EBT) card that is used like cash at most food markets.

### **Free and Reduced Price School Lunch** Call your school district for information

This is a federal program, that provides free and reduced-priced school lunches to income-eligible children in schools and residential child care institutions.

### **WIC (Women , Infants and Children Program)** (845) 364-2577

A federally funded nutrition program for women who are pregnant or nursing and for children under five years old. Qualified participants receive vouchers to purchase supplemental nutritious foods.

## **VII. Food Pantries/Soup Kitchens**

Food Pantries and Soup Kitchens provide free bags of food/meals to people in need of assistance. Some programs have eligibility guidelines.

### **Meals on Wheels (Home Delivered Meal Program)**

121 West Nyack Road, Nanuet, NY 10954  
(845) 624-6325

### **Aids Related Community Services**

86 East Route 59, Spring Valley, NY 10977  
(845) 356-0570

### **Berea 7th Day Adventist**

67 South Broadway, Nyack, NY 10960  
(845) 358- 6825

### **Catholic Community Services of Rockland**

78 Hudson Avenue, Haverstraw, NY 10927  
(845) 942-5791

### **Charismatic Church Outreach**

87 Hudson Ave, Haverstraw NY 10927  
(845) 429-8903

### **Christ Episcopal Church of Ramapo**

65 Washington Ave, Suffern, NY 10901  
(845) 357-1615

### **Church of Christ**

169 Route 9W, Haverstraw, NY 10927  
(845) 429-9696

### **Church of God Prophecy (Project Hope)**

251 Route 59, Spring Valley, NY 10977  
(845) 596-4572

**Fairmont Baptist Church**

39 Division Street, Spring Valley, NY 10977  
(845) 429-5835

**First Reformed Church of Nyack (Soup Angels)**

18 South Broadway, Nyack, NY 10960  
(845) 358-5518

**Greenbush Presbyterian Church**

614 Western Highway, Blauvelt, NY 10913  
(845) 359-4666

**Head Start of Rockland**

Haverstraw (845) 429-2225  
Spring Valley (845) 352-6671  
Nyack (845) 358-2234

**Immaculate Conception Church**

26 John Street, Stony Point, NY 10980  
(845) 786-2742

**Macedonia Baptist Church**

405 Piermont Ave., Piermont, NY 10968  
(845) 359-4690

**New Generation Church of God**

164 North Main Street, Spring Valley, NY 10977  
(845) 721-8736

**People to People**

121 West Nyack Road, West Nyack, NY 10994  
(845) 623-4900

**Rockland Community College**

145 College Rd., Suffern, NY 10901  
(845) 574-4000

**Rockland Jewish Family Service (Kosher Pantry)**

450 West Nyack Rd., Suite 2, West Nyack, NY 10994  
(845) 354-2121

**Salvation Army**

179 N. Main Street, Spring Valley, NY 10977  
(845) 352-9577

**Sloatsburg United Methodist Church**

93 Orange Turnpike, Sloatsburg, NY 10974  
(845) 753-2059

**St. Aedan's Catholic Church**

23 Reid Drive, Pearl River, NY 10965  
(845) 735-8468

**St. Paul's Episcopal Church**

26 South Madison Ave, Spring Valley, NY 10977  
(845) 356-1857

**Faith Temple Church**

130 Bethune Blvd, Spring Valley, NY 10977  
(845) 578-9673

**French Speaking Baptist Church**

80 North Madison Ave, Spring Valley, NY 10977  
(845) 425-8676

**Haitian American Cultural & Social Organization**

24 West Street, Spring Valley, NY 10977  
(845) 352-5897

**Inglesia La Mission**

11 Division Ave, Nyack, NY 10960  
(845) 358-1481

**Living Christ Church**

151 South Broadway, Nyack, NY 10960  
(845) 358-3125

**Martin Luther King Center**

110 Bethune Blvd, Spring Valley, NY 10977  
(845) 425-8910

**Open Bible Church**

146 South Liberty, Stony Point, NY 10980  
(845) 461-9589

**Pilgrim Baptist Church**

80 North Franklin Ave, Nyack, NY 10960  
(845) 358-3978

**Rockland County Jail Ministries**

118 Bethune Blvd, Spring Valley, NY 10977  
(845) 371-7141

**Sacred Heart Catholic Church**

125 Lafayette Ave, Suffern, NY 10901  
(845) 357-0035

**Sinai French 7<sup>th</sup> Day Adventist**

7 Johnson Street, Spring Valley, NY 10977  
(845) 426-2256

**Spring Valley 7<sup>th</sup> Day Adventist**

18 Paikin Drive, Spring Valley, NY 10977  
(845) 352-4806

**St. Ann's Catholic Church (St. Vincent Pantry)**

33 Jefferson Street, Nyack, NY 10960  
(845) 358-4707

**St. Paul's Catholic Church**

82 Lake Road West, Congers, NY 10920  
(845) 268-4464

**St. Peters Catholic Church**

115 Broadway, Haverstraw, NY 10927  
(845) 429-2196

**St. Stephen's Episcopal Church**

84 Erhardt Road, Pearl River, NY 10920  
(845) 735-8888

**The Way, The Truth & The Light**

Mountain View Ave, Orangeburg, NY 10962  
(845) 461-0380

**Tomche Shabbos of Rockland**

301-E Spook Rock Industrial Park,  
Suffern, NY 10901 (845) 357-5885

**Touch-Together Our Unity Can Heal, Inc.**

209 North Route 9W, Congers, NY 10920  
(845) 268-8023

**Trinity United Methodist Church**

49 East Street, Stony Point, NY 10980  
(845) 942-2232

**United Church of Spring Valley(Breakfast Program)**

11 East Church Street, Spring Valley, NY 10977  
(845) 356-2863

**United Methodist Church of Spring Valley**

2 South Madison Ave, Spring Valley, NY 10977  
(845) 356-0238

**West Street Child Care**

96 North Street, Spring Valley, NY 10977  
(845) 425-2379

**VIII. Medical and Prescription Assistance****Child Health Plus (CHP)** (845) 364-3312 or (800) 698-4543

Cost effective health insurance plan for children up to age 19 who are not eligible for Medicaid and do not have insurance. Program is free or low cost. Child must be under the age of 19, a NYS resident, have no other insurance coverage, and meet income eligibility guidelines.

**Medicaid** (845) 364-3040

A Federal / State health insurance program that helps individuals and families (both working and unemployed) who cannot afford to pay for medical care. Based on income eligibility guidelines and limitations on assets and resources.

**Family Health Plus (FHP) & Family Health Plus Premium Assistance Program.**

(845) 364-3312 or (800) 698-4543

A health insurance plan for adults ages 19-64 who are not eligible for Medicaid and do not have any insurance. Adult must be a NYS resident and meet income eligibility guidelines.

**EPIC– Elderly Pharmaceutical Insurance Coverage Program**

(845) 364-2118

This is a free NY State program that helps income eligible seniors aged 65+ to supplement their out-of-pocket Medicare Part D drug plan costs.

**Familywise Prescription Discount Card**

(866) 810-3784

[www.familywise.org](http://www.familywise.org)

A free nationwide prescription card that provides discounts on prescription drugs not covered by insurance. Discount cards are available for download on the website. For participating pharmacies call (877) 435-7977.

**New York Prescription Saver Card**

1-800-788-6917

<https://nyprescriptionsaver.fhsc.com>

A free prescription card to eligible NY residents that provides negotiated discounts on the retail prices of certain drugs. Discounts vary based upon drug. Needs to meet the following 3 requirements: (1) NY State resident; (2) Ages 50-64; or Persons determined disabled by Social Security Administration; (3) Have an annual household income less than \$35,000 (single) or \$50,000 (married).

**Proact Prescription Drug Discount Card**

(877) 776-2285

[www.NYRxDiscountCard.com](http://www.NYRxDiscountCard.com)

Helps residents save money on their prescription medications any time their prescriptions are not covered by insurance. The card may be used at any participating retail pharmacy. Discount cards are available for download on the ProAct website.

**IX. Information and Referral Assistance**

**United Way of Rockland County 211 Helpline**

Dial:211 or (800) 899-1479      [www.uwrc.org](http://www.uwrc.org)

Provides information and referral for health and human services available in the Hudson Valley.

**Information Rockland (InfoRock)**

(845) 364-2020

[www.InformationRockland.com](http://www.InformationRockland.com)

Provides information and referral for health and human services to Rockland residents.

**My Benefits**

[www.MyBenefits.ny.gov](http://www.MyBenefits.ny.gov)

This website provides extensive information about state and federal public assistance programs, tax credits for working families, insurance programs, and other nutrition and assistance programs.

**X. Thrift Shops & Clothing Donation Centers**

**Budget Bazaar Thrift Shop**

96 Maple Avenue, New City, NY 10956  
(845) 634-8880

**Christ Episcopal Church of Ramapo Thrift Shop**

65 Washington Ave, Suffern, NY 10901  
(845) 357-1615

**Goodwill Industries of Greater NY Thrift Shop**

130 West Route 59, Nanuet, NY 10954  
(845) 624-0187

**Grace Episcopal Church Thrift Shop**

10 South Broadway, Nyack, NY 10960  
(845) 358-7488

**High Style Thrift Shop**

70 Lafayette Ave., Suffern, NY 10901  
(845) 368-4512

**Nearly New Thrift Shop**

21 Grove Street, Spring Valley, NY 10977  
(845) 356-0357

**Nyack Hospital Thrift Shop –Nyack Antique Mall**

Franklin Street, Nyack, NY 10960  
(845) 358-7933

**People to People**

121 West Nyack Road, West Nyack, NY 10994  
(845) 623-4900

**Sloatsburg United Methodist Church Thrift Shop**

93 orange Turnpike, Sloatsburg, NY 10974  
(845) 753-2059

**St. Francis of Assisi Catholic Church Thrift Shop**

128 Parrott Road, West Nyack, NY 10994  
(845) 634-4957

**St. Margaret’s Thrift Shop**

34 N. Magnolia Street, Pearl River, NY 10965  
(845) 735-6169

**Tappan Zee Thrift Shop**

454 Main Street, Piermont, NY 10968  
(845) 359-5753

**Trinity United Methodist Church**

49 East Main Street, Stony Point, NY 10980  
(845) 942-2232

**Vietnam Veterans of America**

(800) 775-8387    [www.PickUpPlease.org](http://www.PickUpPlease.org)  
Residential pick up of clothing/household items

*The community resources in this guide were compiled using the databases from the **United Way 211 Helpline** (845-364-2020) and the **Rockland County Department of Social Services Information Rockland (InfoRock)**.*



## **\$\$\$ MONEY, MONEY, MONEY \$\$\$**

Understanding money and the way the financial systems work are essential to your financial stability and success. This section of the Guide will give you information about deposit accounts and credit, as well as the steps to take to develop a financial plan including setting your financial goals and establishing a spending plan. All of the information in this section was extracted from the Federal Deposit Insurance Corporation (FDIC) Money Smart Program's participant manual.

### **I. Understanding Deposit Accounts**

**Deposit accounts** are accounts in which you can add or deposit money and are usually with a bank or credit union. Checking and savings accounts are two examples of deposit products. Banks might require you to have a certain balance to open an account, earn interest, or avoid fees. This is usually called a **minimum balance**. Some accounts may earn interest. **Interest** is a percentage of your balance that the bank pays you for keeping your money at that bank; that is, if the account pays interest.

A **checking account** allows you to pay bills and buy goods with the money you have deposited. Therefore, when you write a check, use an ATM or debit card, or bank online, the financial institution takes the money from your account and pays it to the designated person or business. Some checking accounts may earn interest.

A **savings account** is a place to keep money that you save. Savings accounts often earn interest and may allow you to use an ATM or debit card. Three examples of saving products are money market accounts, certificate of deposits (CD) and statement savings accounts.

On a monthly basis you will receive a bank statement. The **bank statement** lists all of your deposits, withdrawals, fees charged to your account, ATM and debit transactions, checks written, and other messages to you. It is important to review your statement monthly to check for accuracy. You can also use your statement to help you track your income and/or expenses.

### **Savings Tips**

1. Consider **needs versus wants**. Needs are essentials, and wants are nice to have, but not essentials. Think about the items you purchase on a regular basis. These add up. Where can you save? Do you eat out at restaurants a lot? Can you cut back on daily expenses (e.g., coffee, candy, soda, or cigarettes)? Do you have services you do not really need (e.g., cable television)?
2. Use direct deposit or automatic transfer to savings. When you get paid, put a portion in savings through direct deposit or automatic transfer. If you have a checking account, you may sign up to have money moved into your savings account every month. What you do not see you do not miss!
3. Pay your bills on time. This saves the added expense of, late fees, extra finance charges, disconnection fees for utilities (e.g., phone or electricity), fees to reestablish connection if your service is disconnected, the cost of eviction, and repossession.
4. Consider opening a checking account at a bank or credit union instead of using check-cashing stores. You might pay 2 percent or more of each check you cash. Two percent of a \$500 check is \$10. This can easily add up to several hundred dollars in fees every year.
5. Put some money into a savings account if you get a raise or bonus from your employer.
6. Keep making the monthly payments to yourself once you have paid off a loan. You can save or invest the money for your future goals.
7. Save at least part of any cash gift you receive.
8. Avoid debt that does not help build long-term financial security, including: loans for a vacation, clothing, and dinners out in restaurants.
9. Pay off high-interest credit cards or other loans as soon as you can.

10. Save your change at the end of the day and deposit it weekly or monthly.
11. Save as much of your tax refund as possible. Choose to receive your tax refund via direct deposit. You can split it between a maximum of three different accounts (e.g., checking and/or savings accounts). You can also choose to use part of your refund to purchase a U.S. Savings Bond.
12. Join a retirement plan (i.e., a 401(k) or 403(b) plan) if your employer offers one and deducts the money from your paycheck! Most employers will match up to \$.50 of each dollar you contribute. The matched amount is free money!
13. Do your homework if you decide to purchase investments. Know what you are investing in and get professional advice if you need it. You should have at least two to six months of emergency cash savings before you begin investing in investment products that are not federally insured.
14. Reinvest the dividends of any stocks you own to purchase more stocks. Some companies offer an easy way to do this called a Dividend Reinvestment Program (DRIP). This process grows your investment faster, similar to compounding.
15. Join an investment club if you are interested in learning about investing. Investment clubs are groups of people who work together to understand the process and value of investing even small amounts of money (as little as \$5 to \$10).

## **II. Developing a Financial Plan**

A **financial plan** will help you determine strategic ways you can save money, pay your bills, and reduce or eliminate your debt. Your financial plan should include financial goals and a spending plan to meet these goals. To reach your financial goals it is extremely important to involve all family members, including older children, in determining how you might increase your income or decrease your expenses to meet your financial goals.

**Financial goals** are specific to what you want to do with your money within a certain time period. Before you create a spending plan, you should complete the following steps to setting financial goals:

1. Identify and write down your financial goals to keep yourself accountable and focused on your goals. Make sure your financial goals are SMART:
  - a. Specific
  - b. Measurable
  - c. Attainable or Achievable
  - d. Relevant
  - e. Time-bound or time-based
2. Organize your financial goals by timeframes.
3. Educate yourself
4. Evaluate your progress and reevaluate your goals.

### **Why Create a Spending Plan?**

A good way to start taking control of your financial situation is to develop a personal spending plan. A **spending plan** is a step-by-step plan for meeting expenses in a given period of time. Following a spending plan:

1. Helps you reduce the anxiety of not knowing whether you have enough money to pay your bills when they are due
2. Gives you a sense of control over your money, rather than letting money have control over you
3. Helps you build assets that will improve the quality of life for you and your family

A spending plan is all about choices—choosing how to use your money. Knowing what your income and expenses are every month will help you take control of your financial situation.



## Spending Plan Steps

There are four steps to preparing a spending plan:

1. Keep track of your daily spending - If you want to be in control of your money, you must understand where your money goes. Use a notebook to track your spending over a period of time so that you can see how you are spending your money.

2. Determine your monthly income and expenses - **Income** is money that comes to you from: wages, self-employment income public assistance, which might include temporary assistance for needy families , (TANF) or food stamps, child support or alimony, interest and dividends, social security, other sources (e.g., tips).

There are two categories of income: *gross* income and *net* income. **Gross income** is your total income without deductions. **Net income** is gross income minus deductions, such as Social Security and other taxes.

There are two kinds of expenses: *fixed* and *flexible*. **Fixed expenses** do not change from month to month.

Typically, you do not have any control over how much you pay. Your rent or mortgage payment is an example of a fixed expense. **Flexible expenses** often change from month to month. You may have some degree of control over how much you pay. For example, if you decide to lower your thermostat during the winter to save on heating costs, you will pay less than you did the month before.

The Monthly Income and Expense Worksheet on the following page should be prepared on a monthly basis to help you determine how much money you have coming in, how much is going out, and whether or not you have enough income to pay your bills and expenses each month. List your monthly income amounts in the left column and monthly expenses in the right column.

3. Find ways to decrease spending

4. Find ways to increase income

## Tips to Help You Decrease Spending or Save More Money

1. Develop and follow a spending plan.

2. Carry small amounts of cash to limit your spending.

3. Eliminate or control your use of credit cards.

4. Avoid shopping —for fun! unless you have strong self-control to only window shop!

5. Take your written savings goals as a reminder when shopping.

6. Buy only what you need versus what you want.

7. Use coupons to save money on items you need.

8. Use a grocery shopping list to prevent impulse buying.

9. Take your lunch to work instead of eating out.

10. Shop around for the best deal on big-ticket items, like cars and appliances.

11. Pay your bills on time to avoid late fees, extra finance charges, utilities being turned off, eviction, repossessions, and the costs of a bad credit rating.

12. Use direct deposit for your paycheck or federal benefits (e.g., Social Security). You will not have to pay to have your check cashed, or if you have a checking account, the bank may reduce or eliminate the monthly fee if you have direct deposit.

### Monthly Income and Expense Worksheet

INCOME	\$ AMOUNT	EXPENSES	\$ AMOUNT
		<b><i>FIXED EXPENSES</i></b>	
Wages (net)		Rent/Mortgage	
Self-Employment Income		Property Taxes/Insurance	
Public Assistance		Trash Collection	
Child Support/Alimony		Cable/Satellite	
Interest/Dividends		Telephone	
Social Security		Internet	
Pension		Childcare	
Disability		Car Payment	
Other		Car Insurance	
		Student Loan Payment	
		Other Loan Payment	
		Home Equity Loan	
		Other	
		Other	
		<b><i>Total Fixed Expenses:</i></b>	
		<b><i>FLEXIBLE EXPENSES</i></b>	
		Electric	
		Gas/Oil	
		Water	
		Cell Phone	
		Food	
		Transportation	
		Car Maintenance	
		Personal Expenses	
		Education/Tuition	
		Donations	
		Credit Card Payment	
		Medical/Prescriptions	
		Entertainment	
		Clothing	
		Other	
		<b><i>Total Flexible Expenses:</i></b>	
<b><i>Total Income:</i></b>		<b><i>Total Fixed &amp; Flexible Expenses:</i></b>	
<b><i>Total Fixed &amp; Flexible Expenses – Total Income =</i></b>			

### III. Understanding Credit

#### What Is Credit?

**Credit** is the ability to borrow money. When you borrow money on credit, you get a **loan**. You make a promise to pay back the money you borrowed plus some extra. The extra amount is part of the cost of borrowing money. This cost is also called **interest**. The **annual percentage rate (APR)** is the cost of your loan expressed as a yearly percentage rate. The **penalty APR** is in the terms of your agreement and may provide that the creditor will permanently increase the interest rate on your credit card by a large amount if you do not pay your credit card bill on time, or if you exceed your credit limit.

If you use credit carefully, it can be useful to you. Not being careful in the way you use credit can cause problems. You have probably heard the term “good credit.” Having good credit means that you make your loan payments on time to repay the money you owe. If you have a good credit record, it will be easier to borrow money in the future. However, if you have problems using credit responsibly, it will be harder to borrow money in the future.

#### Why Is Credit Important?

Credit is important because it:

1. Can be useful in times of emergencies
2. Is more convenient than carrying large amounts of cash
3. Allows you to make a large purchase, such as a car or house, and pay for it over time
4. Can affect your ability to obtain employment, housing, and insurance based on how you manage it

#### Types of Loans

A **loan** is money borrowed on credit. There are many different types of loans, including installment loans, credit card loans, and home loans.

1. A **consumer installment loan** is used to pay for personal expenses for you and your family. With this type of loan you pay the same payment usually monthly until the expense is paid off. An examples of this type of loan is a car payment.
2. **Credit cards** are plastic cards with magnetic strips on the back that give you the ongoing ability to borrow money for household, family, and other personal expenses. Having a credit card allows you to buy things without actually having the money right away. Remember that if you are not careful in spending, you can get into big trouble—you could be burdened with debt. You need to be sure you are able to make the minimum monthly payment on your credit card bill.
3. There are three main types of **home loans**. **Home purchase loans** are made for the purpose of buying a house. The loan is secured by the house you are buying. A **home refinancing loan** is a loan that replaces an existing home loan by paying it in full and replacing it with a new home loan. **Home equity loans** allow you to borrow money that is secured by your home. **Equity** is the value of the home minus the debt or what you owe on the home loan:

#### The Cost of Credit

**Fees** are charged by financial institutions for activities such as reviewing your loan application and servicing the account. A credit card company might charge you an **annual maintenance fee** of \$30, a **service fee** when you get a cash advance, or a **penalty fee** for charging over your credit limit. A lender might charge a \$30 **late fee** when you do not pay your bill on time.

**Interest** is the amount of money a financial institution charges for allowing you to use its money. The interest rate can be either fixed or variable:

**Fixed rates** stay the same throughout the term of the loan, except in the case of credit cards, where the rate may be changed if the bank gives you required notice.

**Variable rates** might change during the loan term. The loan agreement will show the details of the rate changes.

### **How Credit Decisions Are Made**

When you apply for credit, the lender will review the Four Cs to decide whether you are a good credit risk, or in other words, whether you are likely to pay back the loan. These are the **Four Cs**:

**Capacity** refers to your present and future ability to meet your payments

**Capital** refers to the value of your assets and your net worth

**Character** refers to how you have paid your bills or debts in the past

**Collateral** refers to property or assets offered to secure the loan

### **Credit Report**

A **credit report** is a record of how you have paid your debts. It tells lenders who you are, how much debt you have, whether you have made payments on time, and whether there is negative information about you in public records.

Your credit report is checked by all potential lenders. There are three major credit reporting agencies: Equifax, Experian, and TransUnion. These agencies receive information from a variety of creditors, usually monthly, about whether you are making loan and credit card payments on time. The agencies also collect information about bankruptcy filings, court-ordered judgments, tax liens, and other public record information from courthouse records.

### **Credit Score**

Your credit score is based on the information in your credit report. Your **credit score**—sometimes referred to as a credit rating or **Fair Isaac Corporation (FICO) Score**—is a number that helps lenders determine how much of a credit risk you may be. It has become increasingly common for lenders to make decisions largely based on credit scores.

It is important to learn how the score is calculated so you can improve your score if necessary to obtain credit. Your payment history is the largest percentage of your credit score. That is why it is important to pay your bills on time. If you do not have a history of late payments, your score may be lowered if your credit card balance is close to the limit or if you have just begun to use credit. Creditors may use one or more credit scores. They may generate the scores themselves, or they may use a score calculated by another firm. Two of the scores used by creditors and lenders are *FICO Score* and *VantageScore*.

### **FICO Score**

The FICO score is the primary method lenders use to assess how deserving you are of their credit. A FICO score is calculated using a computer model that compares the information in your credit report to what is on the credit reports of thousands of other customers. FICO scores range from about 300 to 850. The FICO model takes into account several factors when evaluating creditworthiness:

1. Past payment history: 35 percent
2. Outstanding debt: 30 percent
3. How long you have had credit: 15 percent
4. New applications for credit: 10 percent
5. Types of credit: 10 percent

### **How the Credit Report Is Used**

Information in your credit report is not only used to by potential lenders, it is also used by employers, landlords and insurance companies to determine the following:

1. Get a loan or other form of credit
2. Get a job
3. Be able to rent an apartment and/or affect the amount of your security deposit
4. Get insurance

### **Free Annual Credit Report**

You should check your credit report at least annually. You can obtain free annual credit reports by doing one of the following:

1. Submit a request online at [www.annualcreditreport.com](http://www.annualcreditreport.com)
2. Print a copy of the Annual Credit Request Form from [www.annualcreditreport.com](http://www.annualcreditreport.com) and mail it to the Credit Bureaus
3. Call toll-free: **1-877-322-8228**

### **Tips on Using Your Credit Card Responsibly**

1. Check your monthly statement to verify that it accurately lists the things you bought. Call your creditor right away if you suspect errors in your statement.
2. Pay off your total balance each month. If you cannot pay the total balance, try to pay more than the minimum amount.
3. Pay on time to avoid late fees and to protect your credit history. If you cannot pay on time, call your creditor immediately to explain the situation. The creditor may waive the late fees or be willing to make other payment arrangements.
4. Protect your credit card and account numbers to prevent unauthorized use and to minimize a potential loss or theft. Draw a line through blank spaces on charge slips so the amount cannot be changed. Put your signature or the words "See ID" on the back of your credit cards.
5. Keep a record of your account numbers, expiration dates, and the phone numbers of each credit card issuer in a safe place, separate from your credit card, so that you can report a loss quickly.
6. Carry only the credit cards you think you will use. Avoid making impulse purchases.
7. Think about the cost difference if you purchase your item with cash versus if you purchase your item with credit. For example, if you purchase a \$500 television with a credit card that has a 20 percent APR, it could cost you \$1,084 and could take 3 years to pay off your debt! Will you still have that television by the time you make the last payment?
8. Ignore offers creditors may send you to reduce or skip payments. You will still be charged finance charges during this period.
9. Read all notices and information you receive from credit card companies. It may include important changes in significant terms (e.g., interest rates).
10. Read and keep all documentation pertaining to the rules that govern your account (the cardholder agreement) that the bank sends.
11. Ask the credit card issuer to waive the fee or lower the interest rate after you have established a good credit history.
12. Limit the number of credit cards you have and monitor your credit card usage. Too many cards can make overspending tempting. Many people do not control their spending or manage their finances wisely. There are, however, good reasons to have more than one card, especially if your credit limit is not high enough on one card to cover an emergency.
13. Save cash for unexpected emergencies so that you do not have to use your credit card. Many financially responsible people can become overwhelmed by expenses or reduced income triggered by a serious illness, a job loss, or some other unexpected event.
14. Be careful with blank convenience checks that your credit card may mail you as a quick way to write yourself a loan. Expect to incur a transaction fee of several percent of the amount of each check. In addition, the interest rate can be much higher than the rate on your card purchases, perhaps twice as high. Even if you are offered a low interest rate initially, find out what interest rate you will pay when the introductory period is over. Most lenders also begin charging interest when the check posts to your account, even if they otherwise give you a grace period to repay your credit card purchases interest free.

### **Tips for Managing Your Credit**

Once you have decided you want to get a loan and have been approved, you need to keep these tips in mind to use the money you have borrowed wisely.

1. Try to pay off your entire bill (for credit cards or other lines of credit) each month. If you cannot, paying more than the minimum balance due will reduce finance charges and total interest paid.
2. Pay on time to avoid late fees and to protect your credit history. If you cannot pay on time, call your creditor immediately to explain the situation. The creditor may waive the late fees or be willing to make other payment arrangements.
3. Check your monthly statements regularly to verify that they are accurate. Call your creditor right away if you suspect or identify any errors.
4. Ignore offers creditors may send you to reduce or skip payments. You will still be charged finance charges during this period.
5. Think about the cost difference if you purchase your item with cash versus if you purchase your item with credit.

### **What to Do if Your Credit Card is Lost or Stolen**

If your credit card is lost or stolen, immediately tell your credit card company. Do the same thing if you spot something wrong in your monthly billing. Never give your confidential personal information over the telephone unless you have made the call. If you contact your card company before any unauthorized charges are made, you are not responsible for any unauthorized charges. Under federal law, if a thief uses your credit card or card number, the most you are liable for is \$50 per card if you notify the credit card company immediately.

## **IV. Additional Financial Educational Resources**

### **1. Bank of America**

<http://www.bettermoneyhabits.com>

Bank of America in partnership with Khan Academy has developed a new way to learn the why and how behind personal finances. Visit their web-site to view videos on how to set and stick to a budget, understanding how a mortgage works, learning about earning compound interest and much, much more.

<http://studentmoneyskills.bankofamerica.com/educators/>

This Bank of America web-site offers different financial educational resources, including a student financial handbook, guide to credit, interactive banking simulator, financial challenge test, and much more.

### **2. U.S. Financial Literacy and Education Commission**

[www.mymoney.gov](http://www.mymoney.gov), 1-888-My-Money (696-6639)

MyMoney.gov is the U.S. Government's website dedicated to teaching all Americans about financial education. Whether you are planning to buy a home, balance your checkbook, or invest in your 401k, the resources on MyMoney.gov can help you. Throughout the site, you will find important information from federal agencies.

### **3. Federal Deposit Insurance Corporation (FDIC)**

[www.fdic.gov/consumer](http://www.fdic.gov/consumer), 1-877-ASK-FDIC (275-3342), Email: [consumeralerts@fdic.gov](mailto:consumeralerts@fdic.gov)

Visit the FDIC's website for additional information and resources on consumer issues. For example, every issue of the quarterly *FDIC Consumer News* provides practical hints and guidance on how to become a smarter, safer user of financial services.

**4. AnnualCreditReport.com** is a centralized service for consumers to request free annual credit reports. It was created by the three nationwide consumer credit reporting companies - Equifax, Experian and TransUnion. AnnualCreditReport.com provides consumers with the secure means to request and obtain a free credit report once every 12 months from each of the three nationwide consumer credit reporting companies in accordance with the Fair and Accurate Credit Transactions Act (FACT Act).