



Attorney General
of New York
Letitia James

Dear Student,

Did you know that how you manage your bills, student loans and credit cards this year can affect your ability to finance a new car, rent an apartment or even get a job for years after you graduate?

That's why it's important to raise your "Financial IQ" at the start of your college career, when you are first beginning to make financial decisions. Becoming a smart consumer will keep your credit scores high, interest rates low and your path to financial security clear.

Sincerely,

Letitia James

Resources

New York State Office of the Attorney General, Consumer Frauds Bureau

(800) 771-7755
ag.ny.gov

U.S. Consumer Financial Protection Bureau

(800) 411-2372

For tools to compare college costs and other financial information.

consumerfinance.gov/paying-for-college

For tips on managing credit cards

consumerfinance.gov/credit-cards

Annual Credit Reports

To check your standing with the major credit rating agencies.

(877) 322-8228
annualcreditreport.com

New York State Department of Financial Services

For information on credit and links to credit card ratings.

dfs.ny.gov/consumer/brcard.htm



Students, Banking & Credit Cards

Raise Your Financial IQ



**New York State Office
of the Attorney General
Letitia James**

Credit Cards

It's easy to dig a financial hole with credit cards. Paying minimum balances on a high interest card can make even inexpensive items cost a lot, in both the interest you pay today and what you may pay in the future.

Your borrowing and payment habits right now establish the foundation of your credit history. Never borrow or charge more than you can pay back...on time and in full.

Using a Credit Card

- Avoid interest and late fees. Pay bills on time to avoid hefty late fees and increased interest rates. Pay the entire amount owed and avoid interest charges.
- Beware of over-the-limit fees. Federal law prohibits credit card issuers from charging over-the-limit fees unless you affirmatively "opt in" to over-the-limit coverage. Don't opt in. You can be charged significant fees if you exceed your credit limit.
- Don't take cash advances. The interest rate on cash advances is generally much higher than the interest rate charged on purchases.

Keep Track of Your Money

Swiping a debit card can be easier than carrying cash, but it can also make it easy to overspend. If your debit card issuer provides text or email alerts to let you know when your balance drops below a certain level, sign up for this service.

Credit Card Approval

Under federal law, students between the ages of 18-21 must show an ability to pay or obtain a co-signer to get a credit card.

Shopping for a Card

Before you sign on for a credit card, do your homework and look for the best deal. Be sure to consider:

- No or Low Annual fees: Some cards charge a fee just for having the card.
- Interest Rates: Look for the credit card that offers the lowest interest rate (the "Annual Percentage Rate" or "APR") and the lowest fees. Watch out for cards that have a low introductory rate that goes up at some future time.
- Default interest rates: If you miss a payment or pay less than the minimum, the credit card issuer will increase the interest rate on your existing balance and all future purchases to a much higher default interest rate. When shopping for a card, look for the card's default interest rate. Under federal law, credit card issuers must return your interest rate to the previous lower rate after six consecutive on-time payments.
- Beware of "freebies." Credit card companies sometimes lure consumers to apply for credit cards by offering free items, without offering the best terms. Federal law prohibits credit card companies from offering "freebies" when marketing on or near colleges campuses or events.
- College-branded credit cards: Some colleges have agreements with credit card issuers that permit the company to market co-branded credit cards to students in return for payments to the schools. These often benefit the school, but don't offer the best terms to the students. Look as closely at the APR and fees of co-branded cards as you would at any other.

Financial Aid Refunds:

If your school has partnered with a bank to offer debit cards, you should not be required to use that bank's services in order to access your financial aid refunds. It may not offer the best terms or may have hidden fees. Federal financial aid rebates may be obtained via a paper check or by direct deposit to the bank account of your choice. If your school does not offer these options, request that it make them available.

Checking Accounts and Debt Cards

Finding banking services is often high on a new students "to do" list. Colleges sometimes enter into agreements that permit banks to offer debit cards and other banking services to students on campus. Some even issue school IDs that function as bank-branded debit cards and may distribute federal financial aid rebates through such debit cards.

You are not required to use the bank that partners with your school and often these partnerships do not offer the best terms and lowest rates. Shop around to find the bank that offers you the best deal for the services you need.

Here are some issues to consider:

- **ATM fees:** You will generally have to pay a fee to withdraw money from an ATM that is not operated by your debit card issuer. Find out how many fee-free ATM machines are on or near campus, and whether they are available 24 hours a day.
- **Hidden fees:** Be aware of hidden fees associated with debit card use. For example, some debit cards charge a \$.50 per transaction fee whenever a consumer makes a purchase using the PIN-debit function (when a PIN is used rather than a signature). Some of these fees may not be clearly disclosed.
- **Overdraft "Protection":** Banks must ask your permission before enrolling you in an overdraft plan. Don't opt in. The fees for overdrafts are very high and a \$3 cup of coffee could wind up costing nearly \$40. Your card will be declined at the point of sale or at an ATM if there are insufficient funds, but you will avoid paying high fees. You may be charged overdraft fees repeatedly if you do not return your balance to positive immediately.