



THE ESSENTIALS:

Your guide to credit

Sound Advice from Bank of America

Bank of America



Missing payments will hurt your credit rating and can expose you to interest rate increases with your existing card, or future loans. That's because, when creditors discover that you're unable to pay your bills, they're less likely to trust you with other loans or credit cards.

Watch out for these signs of credit trouble:

- You don't know how much you owe until the bills arrive.
- You often pay your bills late.
- You are often unable to make a minimum credit card payment.
- You frequently exceed or approach your credit limit.
- You use your checking account credit lines or cash advances to pay bills.

How to deal with credit difficulties:

- Call your creditors and talk to them directly. You may be able to arrange a payment schedule.
- Stop using your credit cards.

Your credit score is an important number that indicates to potential lenders how well you've managed your finances in the past, and how likely you are to repay your debts based on your credit history. Your score can have a big impact on whether you can be approved for a credit card or loan, and what the interest rate will be.

Chapter 3: What Your Credit Score Means

About your credit report

Your credit report is basically a complete file of your financial history. Creditors look at it to find out how you've handled your debts and whether you've consistently paid your bills on time.

Your report includes your credit score, along with details on all of your past and current debts. This report usually contains information such as:

- Whether you've paid your credit card and loan bills on time.
- How you've handled other expenses, like rent and utilities.
- How much credit is currently available to you, on credit cards you already have.
- The total amount of debt you have outstanding.

Your credit report may be checked by:

- Banks, as they determine whether to offer you a credit card or loan—and as they decide what interest rate to offer.
- Landlords who are deciding whether or not to rent to you.
- Employers who may want to offer you a job.
- Auto insurance providers, and even cell phone companies, who want to know if they can rely on you to pay your bills.

How your score affects you

In general, the higher your score, the more likely you are to obtain the financial tools you need.

INDUSTRY CREDIT SCORE	720-850:	Lenders see you as a moderate to low risk, and are more likely to give you a competitive interest rate on loans they provide.
	620-719:	In this range, you will be considered a fair to good risk, but interest rates on loans provided may be higher. You should work to improve your score by paying your bills on time and reducing your outstanding debt.
	350-619:	You may have difficulty obtaining credit cards, lines of credit, or loans you need for a new car, a home, etc. So improving your score should be a priority.

By paying your bills on time, making at least your minimum payment due on your credit card each month, and staying within your credit limit, you'll earn a good credit rating that will help you get the things you need in the future.

How to check your credit report

There are three credit reporting bureaus, and you have a credit report listed with each of them. You're entitled to a free report each year from each of the three bureaus so that you can check its accuracy. For details, you can visit each bureau online:

Equifax — www.equifax.com
Experian — www.experian.com
TransUnion — www.transunion.com

In addition, Bank of America offers a credit monitoring service, called the Student Identity Theft Protection Program that notifies you when certain changes occur in your credit file and allows you to check your credit score, and file online anytime. Once approved for the Bank of America Student card or an Affinity Collegiate card, you can enroll in the free Student Identity Theft Protection Program.

We recommend that you check your credit rating once each year to be sure that the information provided on your report is accurate. If you find any errors, report them to the bureaus immediately.

Do you have enough money to catch that movie or have dinner with your friends? Do you need to work extra hours to pay for all your back-to-school needs? Not sure? Then you need a budget.

Establishing and maintaining a good credit score begins with setting a budget that you can live by. When you have a thorough understanding of where your money goes, you can find ways to ensure that you're not overspending on "extras."

Chapter 4: Setting and Sticking to a Budget

To set your budget, just follow these simple steps:

- 1 Record your total monthly income.** This can include everything from paychecks to allowances from your parents.
- 2 Record all of your expenses.** Every small purchase counts, so be sure to take this important step, tracking everything you buy for at least one full month.
- 3 Categorize your spending.** Divide your expenses into "non-discretionary" spending, for housing costs, groceries, insurance, taxes, utilities, etc., and identify which ones vary from month to month. Then, note your "discretionary" spending, on things that aren't true necessities—like movie tickets, CDs, magazines and eating in restaurants.
- 4 Target discretionary spending.** This is obviously the easiest area in which to cut expenditures. Consider creating new habits, like making your own coffee or going out to movies and dinner less frequently.

Always balance your income and your expenses monthly to make sure you're not spending more money than you earn. The budget planner on the following pages will help make this even easier.



	Budgeted Amount	Actual Amount	Difference
INCOME: (per month)			
Wages	_____	_____	_____
Savings/Allowance	_____	_____	_____
Scholarships/Grants	_____	_____	_____
Student Loans	_____	_____	_____
Parent/Guardian Contribution	_____	_____	_____
Miscellaneous Income	_____	_____	_____
Total Income	_____	_____	_____

EXPENSES:**EDUCATION:**

(semester cost ÷ number of months in a semester = monthly cost)

Tuition	_____	_____	_____
Books/Lab Fees, Supplies, etc.	_____	_____	_____

(Calculate the rest of these expenses per month.)

HOUSING:

Rent/Board	_____	_____	_____
Utilities (water, electric, etc.)	_____	_____	_____
Cell Phone/Home Phone/ Internet	_____	_____	_____
Furniture/Maintenance/ Trash Removal, etc.	_____	_____	_____

TRANSPORTATION:

Car Payment	_____	_____	_____
Insurance	_____	_____	_____
Gas	_____	_____	_____
Repairs/Maintenance	_____	_____	_____
Travel (taxi, bus, train, etc.)	_____	_____	_____

	Budgeted Amount	Actual Amount	Difference
FOOD:			
Campus Meal Plan	_____	_____	_____
Groceries	_____	_____	_____
Eating Out, Lunches, Snacks	_____	_____	_____
DEBT PAYMENTS:			
<i>(Try to make more than the minimum payment.)</i>			
Credit Cards	_____	_____	_____
Student Loans	_____	_____	_____
Other Loans	_____	_____	_____
PERSONAL:			
Clothing/Laundry	_____	_____	_____
Haircare (cuts, style, etc.)	_____	_____	_____
Health (prescriptions, insurance, doctor/dentist, etc.)	_____	_____	_____
Pet Supplies/Food/Vet	_____	_____	_____
ENTERTAINMENT/RECREATION:			
Cable TV/Videos/Movies	_____	_____	_____
Computer Expense	_____	_____	_____
Hobbies	_____	_____	_____
Subscriptions and Dues	_____	_____	_____
Gifts for Family/Friends	_____	_____	_____
Vacations (Start thinking about Spring Break now and budget accordingly.)	_____	_____	_____
SAVINGS ACCOUNT DEPOSITS:	_____	_____	_____
MISCELLANEOUS EXPENSES:	_____	_____	_____
Total Expenses	_____	_____	_____
Total Income	_____	_____	_____
Total Expenses	_____	_____	_____
Income Minus Expenses	_____	_____	_____

Chapter 5: Protecting Your Identity

How to recognize identity theft

Identity fraud is one of the fastest growing types of crime. But how does someone steal your identity anyway? And what do they do with it once they steal it?

Identity theft is a crime that happens when someone obtains your personal information and uses it for their own personal gain.

Depending on the type of information obtained, a thief can open bank accounts, buy things with your credit cards, get cash, rent an apartment, open new credit card accounts in your name and damage your credit rating.

Here are a few things you can do to help protect yourself against identity theft:

- Check your credit reports regularly—Get them from all three credit reporting bureaus: Equifax, TransUnion and Experian. Once approved for the Bank of America Student card or an Affinity Collegiate card, you can enroll in the free Student Identity Theft Protection Program.
- Watch your statements for unauthorized charges.
- Keep identity information private and in a secure location—such as your Social Security number, credit or debit card number, and other personal information. Don't give such information out over the Internet or via phone, unless you trust the company and you've initiated the phone call.
- Make sure Web sites are secure—Whether you're shopping, banking or paying bills, you need to make sure that the information you share online is secure and won't be shared by anyone else. Anytime you are about to share personal information, such as your Social Security number, credit card information or bank account number, make sure the site is secure by looking for two things: a yellow lock in the lower right-hand corner of your browser and the "s" on the end of http: in the URL line of your browser. If you don't see these, find someplace else to shop.
- Sign the back of your card—and use photo ID credit cards if available from your card issuer.
- Make a list of your credit card numbers—and the phone numbers to call if you do need to report a lost or stolen card.

If you do see unauthorized charges on your credit card, report it to your credit card issuer right away.



Chapter 6: Other Informational Resources

Bank of America provides many informative tools and programs regarding the use of credit. It is our priority to help you learn to manage your financial life responsibly and wisely.

As a Bank of America customer, you'll receive helpful tips in your credit card statements regarding credit management, savings and other topics throughout the year. Plus, you and your friends are invited to join us at on-campus programs whenever we visit your area.

Financial Literacy materials available from Bank of America include:

- *Ultimate Money Skills Web site* (bankofamerica.com/moneyskills) is an interactive online tool that provides information on the following topics for students:
 - Banking & Budgeting
 - Smart Credit Management
 - Investing
 - Loans
 - Identity Theft
 - Blogs from students
 - Solve the Money of the Month Issue
- *Student Financial Handbook*, available online at bankofamerica.com/studentbanking or at your local Bank of America Banking Center
- *Understanding Credit* (an online brochure), also available at bankofamerica.com/studentbanking

Plus, our brochure entitled *Sound Advice for Your Financial Future* is available at marketing events, and additional financial advice can be found at practicalmoneyskills.com.

Bank of America partners with Monster WorldWide, Inc. to deliver financial literacy presentation materials at campuses across the United States. Be sure to look for posters announcing dates and locations for Ultimate Money Skills or the Ultimate Road Trip. If your school does not currently offer this program, please ask that your college or university be added to the program list soon. Be sure to visit our new Web site: bankofamerica.com/moneyskills.

Chapter 7: Your Credit Glossary

Annual Fee The annual cost of membership to a particular credit card account. Most banks now have products without annual fees.

Annual Percentage Rate (APR) This shows how much credit will cost you on a yearly basis.

ATM Card A card used in an automated teller machine (ATM) to access a credit or a debit account to complete banking inquiries and fund transfers between accounts.

Average Daily Balance Computation Method In this method, the balance is determined by: (1) calculating a daily balance for each day in the current billing cycle; (2) adding all the daily balances together; and (3) dividing the sum of the daily balances by the number of days in the current billing cycle. The daily balance for each day in the billing cycle is calculated by taking the beginning balance, subtracting payments and credits and adding an amount equal to the applicable Daily Periodic Rate multiplied by the previous day's daily balance, and, unless subject to a Grace Period, new transactions and fees.

Bankrupt The status of being legally declared unable to pay your debts as they become due. Federal bankruptcy laws have been enacted that allow a person or organization to liquidate their assets to pay a reduced amount to their creditors or that allow the rehabilitation of the debtor by requiring creditors to accept reduced payments from future earnings of the debtor. A declaration of bankruptcy will remain on a person's credit report from 7 to 10 years and, in some cases, indefinitely. Declaring bankruptcy is generally considered a last resort.

Billing Cycle The length of time between billing statements.

Charge Card Unlike revolving credit card accounts, which allow you to carry balances from month to month, charge card accounts must be paid in full every month.

Chip Card There are various types of Chip Cards, sometimes called Smart Cards. Electronic chips allow these cards to function in different ways: as credit cards, debit cards, frequent buyer or rewards program cards, ID cards, or any combination. Many college ID cards are chip cards. These may or may not be credit cards.

Co-Branded Card A credit card sponsored by both the issuing bank and a retail organization, such as a department store or an airline. Cardholders may benefit through account enhancements that provide such benefits as discounts or free merchandise from the sponsoring merchant based on account usage.

Consumer Credit Counseling Service (CCCS) This is a nonprofit organization that has helped thousands of people get out of debt. CCCS counselors can advise you on how to develop a budget you can live with and can be invaluable in helping you negotiate repayment plans with your creditors. This service is confidential. To reach the CCCS, call **1-800-388-2227**.

Credit Reporting Agencies Credit reporting agencies collect and report vital facts about your financial habits, for instance, whether or not you pay your bills on time. These facts are then compiled into a “credit report,” which can be accessed by potential creditors, employers, and the like. The three major credit reporting agencies are Equifax, Experian and TransUnion. You can contact them at the addresses below.

Equifax
P.O. Box 740241
Atlanta, GA 30374
1-800-685-1111
equifax.com

Experian
P.O. Box 9595
Allen, TX 75013-2140
1-888-397-3742
experian.com

TransUnion
P.O. Box 1000
Chester, PA 19022
1-800-888-4213
transunion.com

Credit Card Unlike charge cards, these cards allow you to “revolve” your charges, that is, carry over portions of your balance from month to month. However, if you do not pay your balance in full, you are assessed finance charges. To protect your credit rating, be sure to pay at least the minimum amount due by the payment due date.

Credit Card Insurance Protects you if you are unable to pay your credit card bills because of illness, unemployment, or other severe conditions. Under these circumstances, the insurance provider will pay your minimum payments.

Credit Line The most you can charge on your credit card account. When you receive a new credit card, you’re usually issued a set credit line. Under some circumstances, your card issuer may increase or decrease it.

Credit Report The record of your credit history. It shows whether you pay your bills on time, how much debt you have, and the like. Your report is compiled by credit reporting agencies and released to lenders and others.

Debit Card A convenient way to “pay as you go,” this enhanced ATM card deducts money from your deposit account when you use it to make a purchase or get cash.

Endorsed Card A credit card endorsed by groups, such as colleges, sports teams, professional organizations, or special interest groups, and offered to their alumni, fans, or members. Typically, use of the credit card gives financial benefit to the endorsing organization.

Equal Credit Opportunity Act (Implemented by Federal Reserve Regulation B) This federal law protects your rights against being denied credit because of sex, race, color, age, national origin, or religion. It also guarantees your right to have credit in your given name or your married name, the right to know why your credit application is rejected, and the right to have someone other than your husband or wife co-sign for you.

Fair Credit Billing Act This federal act protects many important credit rights including your rights to dispute billing errors, unauthorized use of your account, and charges for unsatisfactory goods and services.

Finance Charge The total cost of credit including service fees, late fees, and transaction fees.

Fixed APR Unlike a “variable APR,” this type of APR does not automatically fluctuate based on changes in an index such as Prime Rate or LIBOR. A “fixed APR” does not mean that the rate is guaranteed not to change, though. Refer to your account terms for information on your issuer’s ability to change the APR on your account.

Grace Period If you have a credit card, the period of time the issuer doesn’t charge interest on purchases. Be sure to read the fine print; some credit card issuers give a grace period only if the account is paid up and doesn’t have a balance carried over from the previous month.

Interest Rate Credit is not free! When you use money provided by a bank or financial institution, the interest rate reflects the amount the organization charges for that service.

Introductory APR A temporary, usually low, interest rate (expressed as an annual percentage rate) offered by providers to “introduce” you to their services. It will usually expire after a certain amount of time and may often be terminated based on your behavior, such as if you make a late payment or exceed your credit limit. Be sure to check the details of the offer for any limitations on an introductory APR.

LIBOR (London interbank offered rates) Five major London banks determine these fixed rates daily for specific maturities. What does this mean to you? LIBOR may be used by some banks instead of the Prime Rate to set APRs.

Minimum Payment Shown on your credit card statement, the lowest amount you can pay every month, based on that month’s balance at the time of billing.

Previous Balance How much you owed your card issuer at the end of your last billing period.

Prime Rate Prime means “best,” and this rate is what banks charge their best commercial customers for loans. The prime changes often, is reported daily in *The Wall Street Journal*, and is used as a reference point for many businesses. For instance, the prime rate is used by some financial institutions to set the APR for credit cards.

Principal Unlike interest or fees, the principal reflects the actual dollar amount of the purchases you made or the balance that remains on your loan or credit card account.

Purchasing Card A real convenience for businesses, this card eliminates the need for time-consuming purchase orders. A company simply places orders directly with suppliers and charges them to the card, usually for purchases of \$5,000 or less.

Secured Card A great “first credit card” or way to reestablish your credit rating, this kind of card is “secured” by money you deposit in a designated savings account. For instance, if you deposit \$500, your credit card limit generally will be for that amount. If for some reason you cannot pay your credit card bills, your credit card issuer will be paid from the savings account.

Smart Card See Chip Card.

Transaction Fees Fees charged when you make certain types of transactions. Transaction fees are typically assessed on balance transfers, cash advances and cash-like transactions, such as money orders, wire transfers, and casino gaming chips.

Truth in Lending Act (Implemented by Federal Reserve Regulation Z)

This federal law protects you by making sure lenders tell you about the costs, terms and conditions at the time they offer you a loan or credit card.

Variable APR The variable APR (expressed in yearly terms) fluctuates based on an index, such as the Prime Rate or LIBOR.

To find this financial educational material
brochure online, please visit
bankofamerica.com/essentials.

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