



KAW VALLEY BANK

Still old-fashioned where it counts.™

Understanding Credit

Credit can help you reach your short-and long-term goals. The first step in using credit is understanding your rights and responsibilities. From the new CARD Act to the latest research on identity theft, test your credit knowledge by separating fact from fiction in the questions below.

Under the new Credit CARD Act, adults under 21 will need a cosigner to be approved for a credit card.

TRUE!

In May, President Obama signed the Credit Card Accountability Responsibility and Disclosure (CARD) Act of 2009. When the law takes effect in February 2010, card applicants aged 18-21 will be required to have a parent cosigner or proof of independent means to repay the loan. Those under the age of 21 who already have a credit card will not be affected. Another change that will directly affect young people: no more prescreened offers unless requested.

Online “phishing” scams are the most common methods criminals use to commit identity theft.

FALSE!

Most thefts occur through more traditional methods, such as a stolen wallet or “friendly fraud,” where the criminal may be someone you know. These types of identity theft are nearly four times as likely as all online attack methods put together. Store your credit card in a safe place, and notify your credit provider immediately if your wallet is lost or stolen.

Paying the minimum amount due each month is the fastest and cheapest way to lower debt.

FALSE!

Paying the minimum due keeps your account current but does little to lower your debt over a short period of times. Pay more than the minimum due on time each month to pay your debt down more quickly and to avoid late fees. The new CARD Act will require billing statements to show how long it will take to repay the credit card balance paying only the minimum due, and how much should be paid to repay the balance in 36 months.

A bad credit report could hurt your chances of getting a new job or an apartment.

TRUE!

Think of your credit report as your financial résumé. Prospective employers and landlords may review your credit report when you fill out a job or apartment application. Even if you always pay bills on time, it's a good idea to check your credit report for errors or signs of identity theft. Federal law allows consumers to receive free copies of their credit report once a year. Visit the Federal Trade Commission's www.annualcreditreport.com to make your request.

As long as you have a credit card, you don't need an emergency savings fund.

FALSE!

If you don't have money saved and have to put a hefty balance on your credit card, you will have to pay interest. If you continue to have financial troubles, your credit card debt can easily spiral out of control. Having an emergency fund of as little as \$500 can help you cover unexpected expenses, such as a new tire or a traffic ticket. If \$500 seems like a lot, consider how much you could save if you eliminate one meal out per week or your morning latte and muffin. Saving becomes much easier if you're aware of how much you spend on things you don't need.