



True or False?

Fraud and identity theft are so uncommon that it can't happen to me.

FALSE! With 8.1 million fraud victims in 2007, consumers need to be on their toes when it comes to protecting personal information.

Of the two types of financial fraud new account fraud occurs when someone steals your personal information and opens a new line of credit in your name. The second type, called an unauthorized transaction, takes place when someone uses your credit card without your permission.

Scams occur online and in-person; thieves go dumpster diving and steal pieces of mail to get your information. And there are other ways your personal financial information can end up in the wrong hands.

The best defense is a strong offense. Arm yourself by regularly monitoring your credit report, along with credit card and bank statements. If you notice a transaction that you didn't make, report it to your bank or financial institution immediately. Otherwise, you could be one of the victims who spend an average of 40 hours clearing up their credit report.



True or False?

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

FALSE! If you don't have an emergency fund set aside and need to put a hefty balance on your credit card, you will pay interest on that amount. If you continue to have financial troubles, your credit card debt can spiral out of control quite easily.

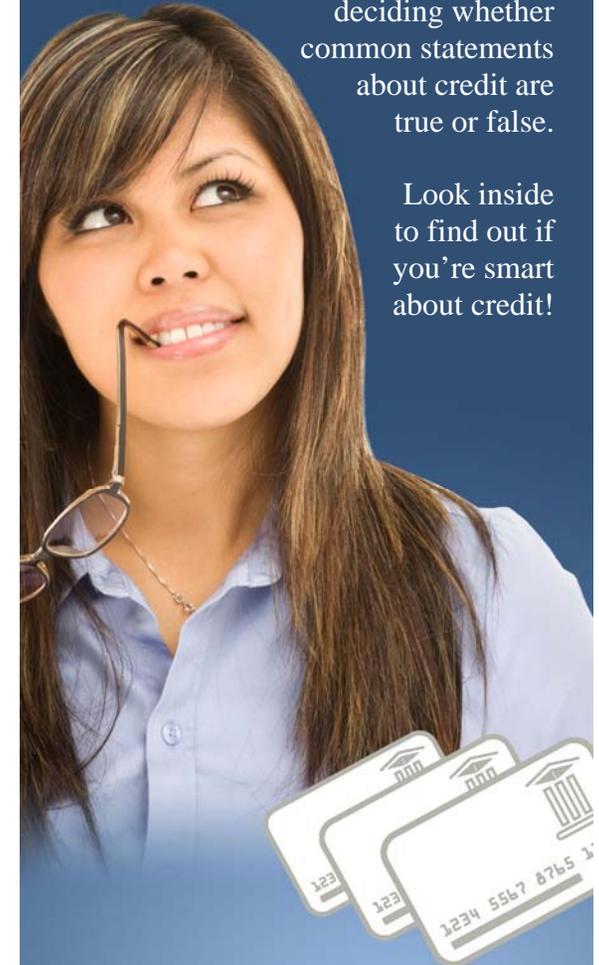
Having an emergency fund of as little as \$500 can help you cover unexpected expenses, such as a new tire or a traffic ticket. If \$500 seems like a big savings goal, consider how much you could save if you eliminate one meal out a week or your morning latte and muffin. Saving becomes much easier if you're aware of how much you spend on things you don't need.

This information brought to you by the ABA Education Foundation and your local bank in connection with Get Smart About Credit Day. For more information on credit, visit the ABA Education Foundation online at <http://www.aba.com/engagement/pages/financialed.aspx>

Think You're Smart About Credit?

Test your knowledge by deciding whether common statements about credit are true or false.

Look inside to find out if you're smart about credit!





True or False?

All loans are the same. If you pay for your new car on a credit card, it's the same as taking out an auto loan for the same amount.

FALSE! Buy an \$8,000 car with a credit card, and you could pay almost \$1,200 more in interest — even if you never miss a payment. That figure is based on the difference between the average interest rates of auto loans (7 percent) and credit cards (12 percent). Credit cards usually have higher interest rates because they are a riskier type of lending for creditors.

Secured loans, like a car loan, have lower interest rates because lenders can reclaim the property to cover the debt if the borrower fails to repay the loan.

The rates and terms of credit cards can change, so they're not the best option for financing longer-term purchases.



True or False?

Every credit card is different, so it's okay to shop around instead of completing the first credit card application you receive in the mail.

TRUE! Not all credit cards are the same, and neither are the habits of credit card users. If you plan to pay your bill on time and in full each month, consider whether the card has an annual fee that must be paid to use the card. Also consider the grace period, or interest-free period — the length of time you are given before interest is charged on the items purchased.

If you sometimes don't pay your balance in full, focus on the APR (annual percentage rate) and whether it will change based on economic conditions or how you use the card.

Be aware of the conditions of introductory APRs, which start low, and then usually jump to a higher rate after a few months. Understand the terms so you can find a card that's right for you.



True or False?

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

TRUE! Your credit report is your financial résumé, so it is important to maintain a positive payment history and keep your credit report accurate. When you fill out a job or apartment application, it's common to give the prospective employer or landlord the right to review your credit report. Your credit history is very predictive. If you always pay on time, it is more likely that you'll continue to do so.

If your credit report portrays you as irresponsible or financially overextended, your application may be denied. A poor credit history also can lead to higher auto insurance rates. 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 a free copy of their credit report from the three credit reporting agencies once a year.

Request your free credit report annually at the Federal Trade Commission's Web site:

www.annualcreditreport.com