

**NJBLFLiP**

The Financial Literacy Project  
of the New Jersey Bankruptcy  
Law Foundation

# Credit, Credit Cards and Identity Theft

A Program sponsored by the New Jersey  
Bankruptcy Law Foundation Financial  
Literacy Project

[www.njblf.org/njblflip.htm](http://www.njblf.org/njblflip.htm)

# “Congratulations! You’ve got Credit!”

We’re going to cover:

- What is “credit”?
- How does it work?
- What does it cost?
- How do you use it?
- How do you protect yourself when you get it?



Welcome to

# EZ MONEY National Bank

JIB Moneybags, President and Chief Loan Officer



"If we won't lend you money, nobody will"

PROMISSORY NOTE  
TO J.B. MONEYBAGS  
I PROMISE TO PAY YOU BACK

**\$500**

I BORROWED FROM YOU, WITH INTEREST AT **24%**  
PER YEAR,  
(REALLY!, TRUST ME...)  
I WILL PAY YOU MONTHLY (I HOPE!).  
AND YOU WILL GET ALL YOUR MONEY BACK WITH INTEREST IN  
TWELVE MONTHS

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SIGNED

PROMISSORY NOTE WITH COLLATERAL  
TO J.B. MONEYBAGS  
I PROMISE TO PAY YOU BACK

**\$500**

I BORROWED FROM YOU, WITH INTEREST AT 12%  
PER YEAR,

(REALLY!, TRUST ME...)

I WILL PAY YOU MONTHLY (I HOPE!).

AND YOU WILL GET ALL YOUR MONEY BACK WITH INTEREST IN  
TWELVE MONTHS.

AND TO MAKE SURE I DO PAY YOU, I AM GIVING YOU  
A SECURITY INTEREST IN MY

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WHICH YOU CAN HOLD, AND SELL TO PAY YOURSELF BACK IF I  
DON'T DO WHAT I PROMISE...

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SIGNED

# Credit is buying use of Someone Else's Money

The **Price** is not the same for everyone--your price depends on:

How much you are borrowing..

How good a borrower are you?

How long you have to pay it back

“What can you give me (as collateral)”?

In other words....how **Risky** is the loan?

# What numbers measure how you are doing?

- Grade point average
- SAT Score
- Credit Score

# Credit Scoring

- "FICO" Score- visit [www.myfico.com](http://www.myfico.com) to learn more
- Your "grade point average"-compiled from your credit report

720-850=A

690-719=B

625-689=C

500-624=D

Under 500=F

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**Slide 8**

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**SRN1**

Steven R. Neuner, 4/1/2006

# You are your credit history

How you use credit reflects your maturity and judgment---important to

- Lenders
- Landlords
- Insurance companies
- Any employer for whom you will be handling money

Credit scoring--used by more and more people to make decisions about you...

and your “grade” stays with you a long time...

# The effects of bad credit

- Landlords who won't rent to you.
- Expensive car loans or none at all
- Higher cost for auto insurance
- Disqualified for a student loan
- Being passed over for jobs in certain industries

# A Real Life Example of the Costs of Poor Credit- a 48 month \$13000 used car loan

(Based on MyFico.com loan savings calculator, 11-24-05)

Credit Score	Monthly payment & APR	Total cost
720- Grade=A	\$309 6.601%	\$14832
625-Grade=C	\$342 12.022%	\$16416 or \$1584 more
590-Grade=D	\$369 16.103%	\$17712 or \$2880 more

# Credit cards-Buy now & pay later

Credit cards are HIGH COST unsecured loans

- The easiest to get
- The easiest to overuse
- A card is important to have
- But know the rules of the game before you play...



# The Credit Industry Wants YOU

- “Accepted everywhere....”
- To sign you up, they offer you goodies...like
- “Instant” discounts “if you sign up today...”
- T-Shirts and water bottles
- “Free” Airline Miles
- “Cash Back”

## What's in it for them?

- High interest-18 to 28% UNLESS you pay off the whole balance each month before the “grace period” ends
- If you do this each month, you aren't charged and the credit industry has a name for you...
- **DEADBEAT!**
- To learn more, let's look at the numbers...

# What credit cards can cost you

- IF you owe **\$2,000.00** on a credit card charging **19%**, and you pay only the 4% minimum payment each month
- You pay only **\$80 to start**, but to pay off the whole \$2000.00 will take you....???
- **118 months** or **almost 10 years!** and in that time you will pay, in interest...
- **\$1,217.28**. Your total cost is \$3,217, or **161%** vs paying cash. Source-www.bankrate.com
- This is if you **never use the card again!**

## So what did it really cost?

- If your \$2,000 included \$40 for a tank of gas, your cost would be \$64.40
- That Pizza you bought for \$12 now costs you \$19.32.
- And the gifts you bought for \$100 now set you back \$161.00

## Small extra payment=big savings

Instead of the 4% monthly minimum payment, pay \$105.00 each month (\$25 more to start)

Result: The \$2,000.00 balance will be paid off in **23 months** and the interest you will pay will only be \$399.26.

Instead of **118 months** and interest of \$1217.

You save \$818 !

# Cash advances-easy to get but even more expensive

They make it easy:

- >“Cash advance” checks or
- >Tap your ATM for a little cash or
- >Ask for cash back at the grocery store...

BUT you are charged 24-28% annual interest

With **no grace period- you start paying right away,**  
EVEN IF you pay in full by the due date.

They cost more—paying the minimum at 24.9%=

**144** months to pay it off,  
total cost to borrow \$2000.00= **\$4009.00**

# GOTCHA! LATE FEES...

- If you pay late, they charge you interest AND a late fee
- It's easier than you think to get caught:
  - Shorter “grace periods”– less time to pay
  - You get the bill late or forget
  - Your check gets there late
- YOU have to be careful...
- or it can get very expensive

# GOTCHA AGAIN!

- As soon as you miss a payment, your rate skyrockets (“default rate”)
- Miss a payment on one card, and your rates go up on all of them (“universal default”)
- Know the “rules of the game”
- Read the fine print!

# Using Credit Cards Wisely

- How much do you REALLY want to pay for that pizza or that tank of gas?
- If you can eat it or pay cash for it, DON'T charge it
- Don't pay just the 4% minimum
- Limit yourself to one card
- Pay off the balance each month if possible
- If not, watch your balances & stick to a plan to pay them off.
  - stop using the card until you have paid off your balance,
  - pay enough extra each month to do that in 4-6 months.
- Make a written budget— know what you can afford

# Identity Theft

Scams to Steal your identity

Why pretend to be you?..

- To borrow off your credit
- To tap into your bank account

The key is your

**PRIVATE INFORMATION**



# How do we know it's really you?

- Unlisted Telephone number
- Social Security number
- Student ID numbers
- Mother's maiden name
- Drivers license number
- PIN numbers
- Bank account numbers
- Credit card numbers
- ANY information that is supposed to be kept private & allows someone else to pretend to be you...

# Where do they get this information?

- From you
- From your computer
- By stealing from databases

Which is the easiest and most common?



# What you can do

- Keep your numbers and personal information private
- Be suspicious of people you do not know
- Report suspicious activities
- Report stolen “ATM” cards or credit cards right away-
  - The sooner you report theft, the less it costs you.
  - 48 hours = \$50 limit, or less
- Use passwords and PIN’s that are not easy to guess

# Keeping your credit cards and ATM cards safe

- Physical possession -don't let others use your credit card, ATM card or bank account
- Don't give away your PIN or password even to friends
- Be on guard in public- the “shoulder peeper”
- Read your statements right away
- Keep your statements at least 6 months
- Keep all your charge or ATM slips (at least until all the charges have come in)
- Report problems right away, directly to your bank
- Keep a written record of any problems and
- Follow up in writing-email or letter

# Shred, Shred, Shred

- Shred unwanted Credit card solicitations
- Shred unwanted cash advance checks
- Shred, don't throw out old bank statements
- And, there's hidden data on your computer. Deleting is not enough...

# “Phishing” & “Vishing”-Stealing from you using your computer

- “Bogus Emails to get information from you
  - warning of some problem or emergency
  - ask you to click a link “**phishing**” or call a number (“**vishing**”)
  - the link, if clicked, can install a program that will steal info from you or take you to a bogus site
  - These scams are constantly evolving. **Be suspicious.**
- Never give out any private information this way
- Delete these messages.

**Dear Wells Fargo customer,**

We recently reviewed your account, and suspect that your [wellsfargo account](#) account may have been accessed by an unauthorized third party. Protecting the security of your account and of the [wellsfargo network](#) is our primary concern. Therefore, as a preventative measure, we have temporarily limited access to sensitive account features.

To restore your account access, please take the following steps to ensure that your account has not been compromised:

1. Login to your [wellsfargo account](#). In case you are not enrolled yet for Internet Banking, you will have to use your Social Security Number as both your Personal ID and Password and fill in the required information, including your name and account number.
2. Review your recent account history for any unauthorized withdrawals or deposits, and check your account profile to make sure no changes have been made. If any unauthorized activity has taken place on your account, report to [wells fargo](#) immediately.

To get started, please click the link below:

<http://online.wellsfargo.com/signon>

We apologize for any inconvenience this may cause, and appreciate your assistance in helping us maintain the integrity of the entire **Wells Fargo system**. Thank you for your prompt attention to this matter.

Sincerely,  
Wells Fargo Team.

Please do not reply to this email. Mails sent to this address cannot be answered. For assistance, log in to your [wellsfargo account](#) and choose the "Help" link in the header of any page.



Monday, August 07, 2006 8:11 AM  
**Subject:** Confirm your PayPal account



## Account Verification

Dear nona@eticomm.net,  
You have received this email because we have strong reason to believe that your PayPal account had been recently compromised. In order to prevent any fraudulent activity from occurring we are required to open an investigation into this matter.

If your Credit/Debit Card on file is not updated within the next 48 hours, then will assume this account is fraudulent and will be suspended. We apologise for this inconvenience, but the purpose of this verification is to ensure that your PayPal account has not fraudulently used and to combat fraud attempts.

**To speed up the process, you are required to call us (1-310-439-5823) to verify your PayPal account.**

We apologise in advance for any inconvenience this may cause you and we would like to thank you for cooperation as we review this matter.

Regards,  
PayPal Account Verification.  
Copyright © 1999-2006 PayPal. All rights reserved.

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Please do not reply to this e-mail. Mail sent to this address cannot be answered.

# Be Skeptical and be safe

- Don't be fooled just because it sounds official or serious
- Banks and reputable parties will never ask for your PIN or password unsolicited- they should have it
- They do not use the internet to investigate fraud
- If suspicious, ask for a name, number and "file number" and promise to call back.
- Then contact them using the number etc that you independently verify from your statement etc.
- Don't use the number or address they give you
- Telephone numbers like email addresses can be "aliased" or faked.

## If it's too good to be true... Scams to watch for

- “You won a prize”
- Free offers
- A tax refund on the internet
- Nigerians or others needing help...
- Even “greeting cards” ,,,,

 Reply  Reply to All  Forward      Delete    Next Unread

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**Subject:** You have received a postcard ! **From:** postcard.com <postcard@postcard.com> **08/10/2006 04:29 PM**

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v> **Hello friend !**

You have just received a postcard from someone who cares about you!

**This is a part of the message:**

"Hy there! It has been a long time since I haven't heard about you!  
I've just found out about this service from Claire, a friend of mine who also told me  
that..."

**If you'd like to see the rest of the message click [here](#) to receive your animated postcard!**

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Thank you for using [www.yourpostcard.com](http://www.yourpostcard.com) 's services !!!

Please take this opportunity to let your friends hear about us by sending them a postcard  
from our collection !

=====

# Making passwords and PIN's hard to crack

- Easy to remember = easy to guess or steal
- Don't use family names, telephone numbers, parts of Social Security numbers etc.
- Do use
  - combinations of letters, numbers and punctuation,
  - capital and small letters
- Tip-password based on a phrase you will remember, using first letters etc of each word. For example:
- “Making passwords and PIN's hard to crack” becomes MPw&pH2c

# Protect your computer and email

- Antivirus software
- Firewall hardware at home between your computer and the internet
  - Any “broadband router” and many cable modems
  - They stops hackers-they see the router, not your computer
- Firewall software:
  - prevents hackers from getting into your computer
  - Most contain “privacy” tools to alert you whenever private numbers are being transmitted off your computer

# Spyware

- Very common--programs installed on your computer without your knowing it when you visit a site or download “free” software.
  - To track what you do and where you go
  - Can include “keyloggers”-tracking your keystrokes (including passwords), to send out over the internet without you knowing it
- Use anti-spyware software such as Spybot S&D [“Search & Destroy”] v.1.4-
  - FREE at [www.safer-networking.org/en/index.html](http://www.safer-networking.org/en/index.html)

## Questions?

**For More Information go to our website at  
[www.njblf.org/njblflip.htm](http://www.njblf.org/njblflip.htm) or**

- **Credit scoring-** [www.myfico.com](http://www.myfico.com)
- **Budgeting and credit cards-**
  - [www.careprogram.us](http://www.careprogram.us)
  - “Real Money 101” Student guide to money at [www.hesaa.org/students/money\\_101/index.asp](http://www.hesaa.org/students/money_101/index.asp)
  - [www.bankrate.com](http://www.bankrate.com)
  - [www.truthaboutcredit.com](http://www.truthaboutcredit.com)
- **Identity theft:**  
[www.ftc.gov/bcp/online/pubs/credit/idtheft.htm](http://www.ftc.gov/bcp/online/pubs/credit/idtheft.htm)
- **Protecting yourself online-** <http://onguardonline.gov>