

Student name: \_\_\_\_\_ Date: \_\_\_\_\_

**Describe how to open a checking account, balance a checkbook, and apply for a loan.\***

Objectives:

- A. Describe how to open a checking account.
- B. Demonstrate how to balance a checkbook.
- C. Practice filling out an application to apply for a loan.

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**MODULE 10A: INFORMATION SHEET**

*TO THE STUDENT:* Read and study this information sheet, completing the student activities throughout this module.

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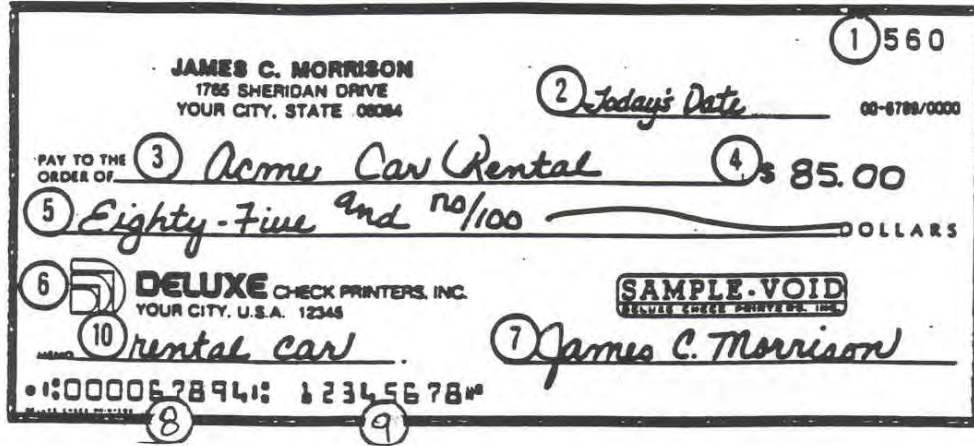
**TO THE TEACHER AND STUDENT:**

This module is just an example. To make the module more practical, obtain materials from a local bank in your area. Students may work with a bank and actually open an account. With electronic and Internet banking now available and services such as MAC cards, Debit cards, credit cards and PayPal, the most important message is learning to handle money responsibly. Keeping track of what you spend is the core of all those services.

*\*(This is also CAPS Module 27, used with permission.)*

## Handling your own checking account

**Parts of a check:** Many of you are familiar with each of the parts of a check. This exercise is meant to serve as a brief review.



1. Consecutive number: Usually these numbers will be printed on your checks. It provides a good way to keep track of how many checks have been written.
2. Date line: The date the check is written.
3. Payee line: The name of the person or business to whom the check is written.
4. Amount of check: This should be written in figures.
5. Amount of check: This should be written in words.
6. Bank logo/titleplate: This identifies the financial institution where your checking account is located.
7. Signature line: This should be the legal signature of the person writing the check.
8. Bank code: Every financial institution in the Federal Reserve system is assigned an identification number. This number ensures that the check will be directed back to your own bank.
9. Customer account number: This is the number that identifies each separate checking account at the bank. Both the bank code and customer account number are printed using magnetic ink so that they may be read by high-speed electronic sorters.
10. Memo line: This is a space for the check writer to record why the check is written.

## How to write a check

1. Using a pen or typewriter, date the check the day you write it. Checks are sorted electronically so post-dating a check has no effect on when it will be subtracted from your account.



Activity 1:

1. Today, you have a bill of \$132.53 for auto repairs at Auto Re-New, Inc. Fill out the sample check below to reflect this payment.

561


**JAMES C. MORRISON**  
1785 SHERIDAN DRIVE  
YOUR CITY, STATE 08084

DATE \_\_\_\_\_

00-8789/0000

PAY TO THE ORDER OF \_\_\_\_\_ \$ \_\_\_\_\_

\_\_\_\_\_ DOLLARS

 **DELUXE** CHECK PRINTERS, INC.  
YOUR CITY, U.S.A. 12345

**SAMPLE-VOID**  
DELUXE CHECK PRINTERS, INC.

MEMO \_\_\_\_\_

⑆0000067894⑆ 12345678⑈

2. Today, you need to pick up some groceries on your way home from work. You stop at the Super-Buy Store and write a check for \$10.57 to pay for the groceries. Fill out the sample check below to reflect this payment.

561


**JAMES C. MORRISON**  
1785 SHERIDAN DRIVE  
YOUR CITY, STATE 08084

DATE \_\_\_\_\_

00-8789/0000

PAY TO THE ORDER OF \_\_\_\_\_ \$ \_\_\_\_\_

\_\_\_\_\_ DOLLARS

 **DELUXE** CHECK PRINTERS, INC.  
YOUR CITY, U.S.A. 12345

**SAMPLE-VOID**  
DELUXE CHECK PRINTERS, INC.

MEMO \_\_\_\_\_

⑆0000067894⑆ 12345678⑈

## How to keep your check register

As you write checks, it is necessary for you to have a means of keeping track of how much money you have spent as well as the amount remaining in your account. If you don't keep track of this amount, you may write a check for more money than you have in your account. To save embarrassment and any charges for checks returned because of insufficient funds, keep your register up-to-date. The check register you receive when your account is opened allows you to do this.

A check register will be included with your checks. Here is an example:

RECORD ALL CHARGES OR CREDITS THAT AFFECT YOUR ACCOUNT							
NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT/DEBIT (-)	✓ T (-)	FEE (-)	DEPOSIT/CREDIT (+)	BALANCE
560	5/25	Acme Car Rental	85 00				100 00
							15 00
①	②	③	④	⑤	⑥	⑦	⑧

## Parts of a check register

The columns on a check register are headed as follows:

1. Number - Write in the number that appears in the upper right corner of the check.
2. Date - Write in today's date.
3. Description of Transaction - Write the same information as was written on the payee line. Write in the sources of a deposit.
4. Payment/Debit - Write in the amount of the check in numbers.
5. Check Mark - Use this column to record which canceled checks you have received with your monthly statement.
6. Fee - Some financial institutions charge a small fee for each check written. If yours does, write that amount in this column.
7. Deposit/Credit - Write in the amount of the deposit in numbers.

8. Balance - This is the approximate amount you have in your checking account. Because of the time lapse between writing a check and having the amount subtracted from your account or the time it takes for a deposit to be added to your account, the balance might not exactly agree with the actual amount in your account at any given time.

The checks may have a stub attached at either the top or the left side.

		+		
BALANCE FOR'D	100	00	DATE	today's date
DEPOSIT/CREDIT			\$	85.00
TOTAL	100	00		560
THIS PAYMENT	85	00	TO	Acme Car Rental
OTHER TRANSACTIONS			FOR	rental car
BALANCE FOR'D	15	00	<input type="checkbox"/>	CHECK HERE IF TAX DEDUCTIBLE

**Top stub (if available)**

Parts of a check stub (For top stub or end stub registers):

Balance Forwarded - Copy the balance from the preceding stub into this space.

Deposit/Credit - Write the amount of the deposit in this space.

Total - Write the sum of the preceding lines in this space.

This Payment - Write the amount of the check in this space.

Other Transactions - Write the amount of any deductions, such as service charges, or automatic payments, in this space.

Balance For'd.(Forward) - The amount remaining after subtracting the preceding two columns from the total.

Each of these methods for recording transactions works essentially the same way.

## Writing Checks

Enter your check in the register BEFORE writing it. This will ensure that you remember to record the check and to subtract the amount.

Record: Check number, date, payee, purpose of check, amount of check.

Subtract: Amount of check from previous balance.

## Entering Deposits

Record: Date, source of deposit, amount of deposit.

Add: Amount of deposit to previous balance.

To avoid error, remember to keep your register up-to-date. Subtract check amounts as you write them. Add deposits as soon as they are made. If your register is not up-to-date, you have a greater chance of overdrawing your account by writing checks for which you have no money. An up-to-date register is also easier to reconcile with your monthly statement. Keeping an accurate check register will also be a great help at tax time.

Look at the example

You have \$50 in your checking account. For Christmas, you receive a check for \$100 from your generous Aunt Carol. You deposit it on December 26 so you can pay for a membership to the All-American Health Club on December 28. These transactions would be recorded in the following manner:

RECORD ALL CHARGES OR CREDITS THAT AFFECT YOUR ACCOUNT									
NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT/DEBIT (-)	✓ T	FEE IF ANY (-)	DEPOSIT/CREDIT (+)	BALANCE		
							50	00	
	12/26	Aunt Carol's Gift				100	00	150	00
563	12/28	All-American Health Club	75					75	00

563		\$ 75.00
December 28, 2003		
TO All-American Health Club		
BAL. FORD	DOLLARS	CENTS
	50	00
DEPOSIT/CREDIT	100	00
TOTAL	150	00
THIS PAYMENT	75	00
OTHER DEDUCTIONS		
BAL. FORD	75	00

PAY TO ORDER

BALANCE FORD	50	00	DATE	December 28, 2003	\$ 75.00	563
DEPOSIT/CREDIT	100	00	TO	All-American Health Club		
TOTAL	150	00	FOR	Membership		
THIS PAYMENT	75	00				<input type="checkbox"/> CHECK HERE IF TAX DEDUCTIBLE
OTHER TRANSACTIONS						
BALANCE FORD	75	00				



Activity 2: #1

1. You have a balance of \$183.15. Record the check you wrote to Auto Re-New, Inc. in Activity 1 on page 4 in the register most like the one you would normally use.

RECORD ALL CHARGES OR CREDITS THAT AFFECT YOUR ACCOUNT									
NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT/DEBIT		✓ T	DEPOSIT/CREDIT		BALANCE	
			(-)			(-)	(+)		
			\$			\$	\$		

561

DATE \_\_\_\_\_

TO \_\_\_\_\_

	DOLLARS	CENTS
BAL. FORD		
DEPOSIT/ CREDIT		
TOTAL		
THIS PAYMENT		
OTHER DEDUCTIONS		
BAL. FORD		

PAY TO ORDER

BALANCE FOR'D		
DEPOSIT/CREDIT		
TOTAL		
THIS PAYMENT		
OTHER TRANSACTIONS		
BALANCE FOR'D		

DATE \_\_\_\_\_ \$ \_\_\_\_\_ 561

TO \_\_\_\_\_

FOR \_\_\_\_\_  CHECK HERE IF TAX DEDUCTIBLE

Activity 2: #2

- You have a balance of \$92.03. Record the check from the Super-Buy Store on page 4 in the register like the one you would normally use.

RECORD ALL CHARGES OR CREDITS THAT AFFECT YOUR ACCOUNT									
NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT/DEBIT		✓ T	DEPOSIT/CREDIT		BALANCE	
			(-)			(-)	(+)		

561		
DATE _____		
TO _____		
	DOLLARS	CENTS
BAL. FORD		
DEPOSIT/ CREDIT		
..		
TOTAL		
THE PAYMENT		
OTHER DEDUCTIONS		
BAL. FORD		

PAY TO ORDER

BALANCE FOR'D			DATE _____ \$ _____	561
DEPOSIT/CREDIT			TO _____	
TOTAL			FOR _____	
THE PAYMENT				
OTHER TRANSACTIONS				
BALANCE FOR'D				

CHECK HERE IF TAX DEDUCTIBLE

**How to make a deposit**

To put your checks and cash into your account, fill out a DEPOSIT TICKET. Deposit tickets are printed in many styles and come bound behind your checks. They are printed with a front or face side and a reverse side. Your deposit tickets are printed with the same code line that is on your checks. When deposits are read by an automatic sorter, the amount of the deposit is added to your account. When the deposit ticket is returned with your monthly statement, you have a permanent record of checks and cash you have deposited.

**DEPOSIT TICKET**

**JAMES C. MORRISON**  
1785 SHERIDAN DRIVE  
YOUR CITY, STATE 12345

DATE Today's date

<b>CASH →</b>			
<small>LIST CHECKS SINGLY</small>			
75-1676		100	00
70-2283		25	00
78-920		50	00
72-2218			
<b>TOTAL FROM OTHER SIDE</b>		<b>35</b>	<b>00</b>
<small>TOTAL CASH</small>	<b>5</b>	<b>TOTAL</b>	<b>210 00</b>

00-6789/0000

USE OTHER SIDE FOR ADDITIONAL LISTING. ENTER TOTAL HERE

BE SURE EACH ITEM IS PROPERLY ENDORSED

**DELUXE** CHECK PRINTERS, INC.  
1234 COMMERCE AVENUE  
CITY, STATE 12345

**⑆000067894⑆ 12345678⑆**

CHECKS AND OTHER ITEMS ARE RECEIVED FOR DEPOSIT SUBJECT TO THE PROVISIONS OF THE UNIFORM COMMERCIAL CODE OR ANY APPLICABLE COLLECTION AGREEMENT

CHECKS LIST SINGLY	DOLLARS	CENTS	
1 75-1054	15	00	
2 17-7001	20	00	
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
<b>TOTAL</b>			

ENTER TOTAL ON THE FRONT OF THIS TICKET





4. A listing of checks deposited. Identify checks by writing either the name of the person or association writing the check (see example below).
5. Total from reverse side. If all checks cannot be listed on the front side of the ticket, use the reverse side and bring the total to the front side.
6. If appropriate, total the amount of cash you wish to receive. This feature is not included on all deposit tickets.
7. If you receive cash, you need to sign the deposit slip.
8. Write in your net deposit. This will be the total of the currency, coin, and check listings on both face and reverse sides of the slip.



Activity 3: #2

- On March 31, you have \$2.12 in coins from your piggy bank and four checks to deposit: Carol Sims, \$5.00; Norelco, Inc., \$2.50; State Tax refund check, \$35.00; and Jack Paulson, \$8.50.

Complete the deposit ticket below.

DEPOSIT TICKET																			
<p><b>JAMES C. MORRISON</b>                      1785 SHERIDAN DRIVE                      YOUR CITY, STATE 12345</p>																			
DATE _____																			
																			
<p><b>1:0000678941: 123456781</b></p> <p><small>CHECKS AND OTHER ITEMS ARE RECEIVED FOR DEPOSIT SUBJECT TO THE PROVISIONS OF THE UNIFORM COMMERCIAL CODE OR ANY APPLICABLE COLLECTION AGREEMENT</small></p>																			
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="text-align: left;">CASH →</th> <th style="width: 10%;"></th> <th style="width: 10%;"></th> </tr> <tr> <td style="font-size: small;">LIST CHECKS SEPARATELY</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">TOTAL FROM OTHER SIDE</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">TOTAL</td> <td></td> <td></td> </tr> </table>	CASH →			LIST CHECKS SEPARATELY									TOTAL FROM OTHER SIDE			TOTAL			<div style="text-align: center;">                       00-8789/0000                 </div> <p style="font-size: small;">USE OTHER SIDE FOR ADDITIONAL LISTING. ENTER TOTAL HERE</p> <p style="font-size: small;">BE SURE EACH ITEM IS PROPERLY ENDORSED</p>
CASH →																			
LIST CHECKS SEPARATELY																			
TOTAL FROM OTHER SIDE																			
TOTAL																			

	CHECKS LIST SEPARATELY	DOLLARS	CENTS
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
	<b>TOTAL</b>		

ENTER TOTAL ON THE FRONT OF THIS TICKET

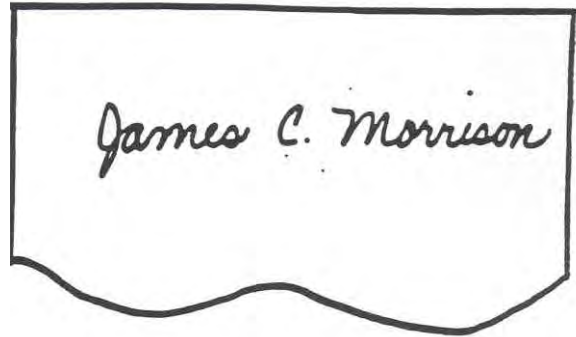
## How to endorse a check

Before you can cash a check, you must endorse it. Endorsing means that you sign your official signature on the back of the check (turn check over so that you'll be signing your name over the "Pay to the order of" end of the check).

Following are common kinds of endorsements. Each has a distinct purpose and, in a sense, gives direction as to the conditions under which the financial institution shall pay the check.

### 1. Endorsement in Blank

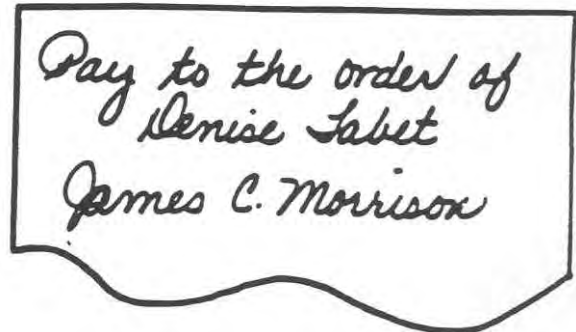
You sign only your name on the endorsing end of the check. When you sign an endorsement in blank, you have transferred the check to the financial institution. If you lose the check, it can be cashed by anyone. Use this kind of endorsement only at the exact time you cash it.



James C. Morrison

### 2. Endorsement in Full

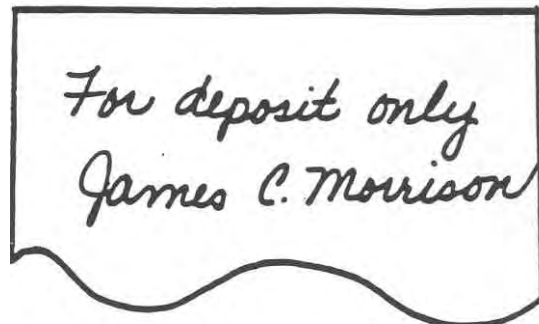
If a check is made out to you and you, in turn, want to give it to someone else, use this kind of endorsement. You write "Pay to the order of (insert name of person to receive check)" and then sign your name underneath. The person receiving the check must also sign before the check can be cashed. This check can now only be cashed by the specified person.



Pay to the order of  
Denise Tabet  
James C. Morrison

### 3. Restrictive Endorsement

This kind of endorsement tells precisely what will happen to the check. It means that the check cannot be further negotiated. It is usually seen on checks sent by mail or by messenger for deposit. In these cases, the words "For Deposit Only" are written first, with the signature below. The check can only be cashed under the conditions you have specified.



For deposit only  
James C. Morrison



### Some hints regarding endorsements

1. Do not endorse a check until it is to be cashed, deposited in a financial institution, turned over to a person, business or firm, or organization, or sent in the mail for deposit.
2. Endorse in ink only with a rubber stamp endorsement giving your name and special number furnished by the financial institution. This will prevent someone from erasing and re-endorsing the check.
3. If, on the face of the check, your name is misspelled or is not complete, endorse the check in the way your name appears. Then, below this, endorse by using your official signature. This will establish your identity as the person for whom the check is meant.
4. Cash or deposit a check as soon as possible. After six months, a check is considered "stale-dated" and a financial institution may refuse to cash it. If a check is over six years old, it cannot be cashed. Exceptions to this are U.S. Government checks and some Cashier's checks. If you have a "stale-dated" check, ask that a current check be issued in its place.
5. A financial institution or a department store fee (or other places that cash checks) may charge a small fee to cash a check drawn on a financial institution outside your community. This fee is used to help cover costs of clerical work involved.

### How to balance your statement

Once every month, your financial institution will send your canceled checks to you with a statement that will tell you the amount in your account at the time that statement was prepared. This is sent to you so that you can compare the amount presently in your checking account with the amount you've written in your check register.

It is your responsibility to keep your records in order. If you do, you will have a much better idea of how much money you have left in your account. Be sure to subtract from your balance the amount of any checks that you write or any service charges you may incur. Also, add any amount that you deposit to your account.

1. Sort canceled checks into numerical order. Sort deposit tickets into numerical order.
2. Compare each canceled check and deposit ticket with your check register and check it off. Any checks which are not checked off haven't been paid by your financial institution. They are called "outstanding checks."

3. Subtract any charges for checks, services or automatic withdrawals, such as car payments, from your checkbook balance. This is your correct checkbook balance.

Sometimes your statement balance will not be the same as your checkbook balance. When this happens, you will need to reconcile your account. To do this, you need to:

1. Insert the last balance shown on your statement.
2. Add any deposits not yet added to your account.
3. Subtract any checks written and not yet charged to your account.
4. This is your adjusted balance that should agree with your checkbook balance.


Balance shown on your statement	(1)	\$ _____
Add + (Deposits not yet added to your account)	(2)	\$ _____
Total		\$ _____
Subtract — (Checks that have not yet been paid)	(3)	\$ _____
<b>ADJUSTED STATEMENT BALANCE</b>	<b>(4)</b>	<b>\$ _____</b>

**What to do if your adjusted balance does not agree with your checkbook register:**

1. Recheck the addition, subtraction and corrections made in your checkbook register and on your reconciliation form.
2. Verify the carryover balance from page to page in your checkbook register.
3. Be sure you have deducted any service charge made by the financial institution from your checkbook register.
4. Verify the magnetically printed amount of the canceled check located on the bottom right hand corner with the amount listed in your checkbook register.

Because of the cost, some financial institutions do not return canceled checks to customers. Instead, the statement simply lists the checks. If your financial institution follows this procedure, you most likely use checks that have carbon copies. Use the copies of the checks you have written to ensure that all checks have been listed on your statement.

Sample Statement


**ABBOTSFORD STATE BANK**  
**FDIC**

124-356	15	4/23/03 5/21/03	PAGE 1
ACCOUNT NUMBER	ITEMS ENCLOSED	STATEMENT PERIOD	

James C. or Mary A. Morrison  
1765 Sheridan Drive  
Your City, State 12345

BALANCE LAST STATEMENT	MARKED	WE HAVE ADDED:	MINUS:	WE HAVE DEDUCTED:	INTEREST	REMARKS
2141.28	4	4075.51	13	3584.29	.00	2632.50

TYPE OF ACCOUNT. . .PER MND CHECKING

DATE	AMOUNT	DESCRIPTION
04/27	83.00	DDA REGULAR DEPOSIT
05/01	3,500.00	DDA REGULAR DEPOSIT
05/02	474.00	SOCIAL SECURITY
05/21	18.51	INTEREST EARNED

CHECKS

DATE....	CHECK NO.....	AMOUNT	DATE....	CHECK NO.....	AMOUNT
04/24		34.65	05/10	DN	7.49
04/26	* 382	227.63	04/25	383	100.00
05/01	384	7.00	05/02	385	70.25
05/04	* 387	2046.39	05/04	388	270.52
05/09	389	143.05	05/08	390	100.00
05/16	391	43.76	05/14	392	33.55
05/16	393	500.00			

\* DENOTES MISSING CHECK NUMBER

DAILY BALANCE INFORMATION

DATE.....	BALANCE	DATE.....	BALANCE	DATE.....	BALANCE
04/23	2141.28	04/24	2106.63	04/25	2006.63
04/26	1779.00	04/27	1862.00	05/01	5355.00
05/02	5758.75	05/04	3441.84	05/08	3341.84
05/09	3198.79	05/10	3191.30	05/14	3157.75
05/16	2613.99	05/21	2632.50		

OTHER BANKING SERVICES

-----INTEREST RATE CHANGES-----

INTEREST RATE	DATE CHANGED
7.650	4/24/03
7.900	5/08/03
8.000	5/15/03



## Applying for a loan

When applying for a loan, you will have to fill out a form that tells the lender about yourself and your financial circumstances. Forms vary from company to company, but the basic information you must supply will be essentially the same. For an application, you will have to see the loan officer in your bank.

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### Activity 5

Fill out the form on the next two pages using the following information:

- ✓ You want to buy a \$5,200 car and will finance it through your bank with a down payment of \$800.
- ✓ You have not borrowed previously from the Capital Bank, but you maintain a savings and a checking account there.
- ✓ Your birth date is 1/1/64 and you have been an agent in your city for Bentford Insurance Company, 5 Main Street, for three years.
- ✓ Your net income is \$12,000 per year. It is your first job.
- ✓ Your spouse has been the office manager for the same company for two years, has a net salary of \$11,040 per year and was born 3/17/65.
- ✓ Your spouse will be a co-borrower on the loan.
- ✓ You are renting an apartment from Town Homes, Inc., and have lived there two years.
- ✓ Your rent is \$350 per month. You previously lived with your parents. You presently own a three year-old Ford Taurus automobile which you bought through Home Town National Bank.
- ✓ Your debts include \$300 to Appliances Outlets (original amount was \$520), \$250 to Doctors Hospital (original amount \$870).
- ✓ You make monthly payments of \$40 to each of these creditors.

This type of credit transaction is referred to as a Closed-End Credit Account. It will begin and end at specific times.

CREDIT APPLICATION

Bank

Date of Application \_\_\_\_\_

IMPORTANT: Read these Directions before completing this Application.

- Check  If you are applying for individual credit in your own name and are relying on your own income or assets and not the income or assets of another person as the basis for repayment of the credit requested, complete Sections A and D, omitting B and C. If the requested credit is to be secured, also complete the first part of Section C as relates to applicants.
- Appropriate  If this is an application for joint credit with another person complete all Sections, providing information in B about the joint applicant.
- Box  If you are applying for individual credit, but are relying on income from alimony, child support, or separate maintenance or on the income or assets of another person as the basis for repayment of the credit requested, complete all Sections to the extent possible, providing information in B about the person on whose alimony, support or maintenance payments or income or assets you are relying.

Amount Requested \_\_\_\_\_ Payment Date Desired \_\_\_\_\_ Proceeds of Credit \_\_\_\_\_  
 \$ \_\_\_\_\_ To be Used For \_\_\_\_\_

**SECTION A — INFORMATION REGARDING APPLICANT**

Full Name (Last, First, Middle): \_\_\_\_\_ Birthdate: \_\_\_\_/\_\_\_\_/\_\_\_\_  
 Present Street Address: \_\_\_\_\_ Years there: \_\_\_\_\_  
 City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ Telephone: \_\_\_\_\_  
 Social Security No. \_\_\_\_\_ Driver's License No.: \_\_\_\_\_  
 Previous Street Address: \_\_\_\_\_ Years there: \_\_\_\_\_  
 City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
 Present Employer: \_\_\_\_\_ Years there: \_\_\_\_\_ Telephone: \_\_\_\_\_  
 Position or title: \_\_\_\_\_ Name of Supervisor: \_\_\_\_\_  
 Employer's Address: \_\_\_\_\_  
 Previous Employer: (if less than three years) \_\_\_\_\_ Years there: \_\_\_\_\_  
 Previous Employer's Address: \_\_\_\_\_  
 Present net salary or commission: \$ \_\_\_\_\_ per \_\_\_\_\_ No. Dependents: \_\_\_\_\_ Ages: \_\_\_\_\_  
 Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.  
 Alimony, child support, separate maintenance received under: court order  written agreement  oral understanding   
 Other income: \$ \_\_\_\_\_ per \_\_\_\_\_ Source(s) of other income: \_\_\_\_\_

Is any income listed in this Section likely to be reduced before the credit requested is paid off?  
 Yes (Explain in detail on a separate sheet.)  No   
 Have you ever received credit from us? \_\_\_\_\_ When? \_\_\_\_\_ Office: \_\_\_\_\_  
 Checking Account No. \_\_\_\_\_ Institution and Branch: \_\_\_\_\_  
 Savings Account No. \_\_\_\_\_ Institution and Branch: \_\_\_\_\_  
 Name of nearest relative not living with you: \_\_\_\_\_ Telephone: \_\_\_\_\_  
 Relationship: \_\_\_\_\_ Address: \_\_\_\_\_

**SECTION B — INFORMATION REGARDING JOINT APPLICANT OR OTHER PARTY** (Use separate sheets if necessary.)

Full Name (Last, First, Middle): \_\_\_\_\_ Birthdate: \_\_\_\_/\_\_\_\_/\_\_\_\_  
 Relationship to Applicant (if any): \_\_\_\_\_  
 Present Street Address: \_\_\_\_\_ Years there: \_\_\_\_\_  
 City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ Telephone: \_\_\_\_\_  
 Social Security No. \_\_\_\_\_ Driver's License No.: \_\_\_\_\_  
 Present Employer: \_\_\_\_\_ Years there: \_\_\_\_\_ Telephone: \_\_\_\_\_  
 Position or title: \_\_\_\_\_ Name of Supervisor: \_\_\_\_\_  
 Employer's Address: \_\_\_\_\_  
 Previous Employer: (if less than three years) \_\_\_\_\_ Years there: \_\_\_\_\_  
 Previous Employer's Address: \_\_\_\_\_  
 Present net salary or commission: \$ \_\_\_\_\_ per \_\_\_\_\_ No. Dependents: \_\_\_\_\_ Ages: \_\_\_\_\_

Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.

Alimony, child support, separate maintenance received under: court order  written agreement  oral understanding

Other income: \$ \_\_\_\_\_ per \_\_\_\_\_ Source(s) of other income: \_\_\_\_\_

Is any income listed in this Section likely to be reduced before the credit requested is paid off?

Yes (Explain in detail on a separate sheet.) No

Checking Account No. \_\_\_\_\_ Institution and Branch: \_\_\_\_\_

Savings Account No. \_\_\_\_\_ Institution and Branch: \_\_\_\_\_

Name of nearest relative not living with Joint Applicant or Other Party: \_\_\_\_\_

Relationship: \_\_\_\_\_ Address: \_\_\_\_\_

**SECTION C — MARITAL STATUS** (Do not complete if this is an application for individual unsecured credit.)

Applicant:  Married  Separated  Unmarried (including single, divorced, and widowed)

Other Party:  Married  Separated  Unmarried (including single, divorced, and widowed)

**SECTION D — ASSET AND DEBT INFORMATION** (If Section B has been completed, this Section should be completed giving information about both the Applicant and Joint Applicant or Other Person. Please mark Applicant-related information with an "A." If Section B was not completed, only give information about the Applicant in this Section.)

ASSETS OWNED (Use separate sheet if necessary.)

Description of Assets	Value	Subject to Debt	Name(s) of Owner(s)
Cash			
Automobiles (Make, Model, Year)			
Cash Value of Life Insurance (Issuer, Face Value)			
Real Estate (Location, Date Acquired)			
Marketable Securities (Issuer, Type, No. of Shares)			
Other (List)			
Total Assets			

OUTSTANDING DEBTS (Include charge accounts, installment contracts, credit cards, rent, mortgages, etc. Use separate sheet if necessary.)

Creditor	Type of Debt or Acct. No.	Name in Which Acct. Carried	Original Debt	Present Balance	Monthly Payment	Past Due? Yes No
1. (Landlord or Mortgage Holder)	<input type="checkbox"/> Rent <input type="checkbox"/> Mortgage					
2.						
3.						
Total Debts						

(Credit References)

Date Paid

1. \_\_\_\_\_

2. \_\_\_\_\_

Are you a co-maker, endorser, or guarantor on any loan or contract? Yes  No  If "yes" for whom? \_\_\_\_\_ To whom? \_\_\_\_\_

Are there any unsatisfied judgments against you? Yes  No  Amount \$ \_\_\_\_\_ If "yes" to whom owned? \_\_\_\_\_

Have you been declared bankrupt in the last 14 years? Yes  No  If "yes" where? \_\_\_\_\_ Year \_\_\_\_\_

Other obligations — (e.g., liability to pay alimony, child support, separate maintenance. Use separate sheet if necessary.)

Everything that I have stated in this application is correct to the best of my knowledge. I understand that you will retain this application whether or not it is approved. You are authorized to check my credit and employment history and to answer questions about your credit experience with me.

Applicant's Signature

Date

Other Signature (Where Applicable)

Date



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**MODULE 10A: STANDARDS ADDRESSED IN THIS MODULE**

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**Pennsylvania's Academic Standards for Career Education and Work****13.3.11. Career Retention and Advancement**

- D. Develop a personal budget based on career choice, such as, but not limited to:
- Charitable contributions
  - Fixed/variable expenses
  - Gross pay
  - Net pay
  - Other income
  - Savings
  - Taxes

**Pennsylvania's Academic Standards for Reading, Writing, Speaking and Listening (RWSL)****1.1.11. Learning to Read Independently**

- E. Establish a reading vocabulary by identifying and correctly using new words acquired through the study of their relationships to other words. Use a dictionary or related reference.

**Pennsylvania's Academic Standards for Mathematics****2.2.11 Computation and Estimation**

- A. Develop and use computation concepts, operations and procedures with real numbers in problem-solving situations.

Student name: \_\_\_\_\_ Date: \_\_\_\_\_

## Describe how to use credit wisely.

### Objectives:

- A. Explain how businesses make money through credit.
- B. Describe the laws that protect credit consumers.
- C. Describe how rates and fees can impact your credit account.
- D. Explain the dangers of using credit carelessly.

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### MODULE 10B: INFORMATION SHEET

*TO THE STUDENT: Read and study this information sheet and complete the student activities at the end.*

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#### Young people and credit

When young people finally get their first credit cards, resisting the temptation to overspend can be difficult. Does the phrase “shop till you drop” ring a bell? Unfortunately, as a result many young people find themselves dealing with financial problems all too soon. Counselors that advise people on credit issues recommend the following advice to establishing and maintaining a good credit history.

#### Understand how credit works.

Credit companies make money on the interest they charge to let you borrow their money. As a result, they target young people who will leave a monthly balance on their account. A charge will be added on to the borrowed money, which was not paid back by the end of the month. This is called interest. Interest rates can be 18% or higher (annual percentage rate). If you pay just the minimum monthly payment, the balance will not go down very much. In many cases the minimum payment doesn't even cover the amount of interest that has been added on to your credit card bill. That is why it is very important that you pay more than the minimum payment amount each month.

**Design a financial plan.**

Carefully analyze your spending habits, create financial goals, and set spending priorities. Develop a budget accordingly, and stick to your budget. Items that you plan to charge should be included in your monthly budget.

**Don't impulse buy.**

How many times have you gone to the store and seen something that you just had to have? A few weeks later you realized what a waste of money. That was before you had a line of credit. Being able to borrow money may give you a false sense of security that you can buy something that you really can't afford. Try not to rush a major purchase. Before you charge the expensive T.V. with surround sound, take some time to make a well thought out business decision. The way you spend your money is a personal business decision.

**Watch expenses carefully.**

Use cash instead of credit to make sure you don't spend more money than you can afford to pay back. If you must borrow money to buy something, have a plan to pay off your balance within two months. Remember that when you pay interest charges on an item you wind up paying a lot more than the initial purchase price. Don't fall into the trap of thinking it will be easier to pay off balances in the future.

**Establish a credit history.**

Almost any student can easily get credit. Once you obtain your first loan or credit card, make minor purchases and pay your bills promptly. This shows you are a responsible credit user. It will also help you to establish a credit history. Developing and protecting your credit history will enable you to make major purchases in the future, such as buying a car or even your house. Those that fail to maintain a good history will be forced to pay higher interest rates, or will be unable to obtain loans due to poor credit.

**Comparison shop for credit.**

It is smart to shop around, comparing several credit companies, and only accept the credit that charges the lowest rates, and the lowest annual fees. Usually, the best terms (interest rates and annual fees) will be offered to those with good credit ratings. Evaluate how you will use credit. For instance, will you carry a balance? Or pay in full each month? Apply for the credit card that best fits how you plan on using the credit card.

**Check your credit report.**

A credit report is a record of your past financial transactions (credit history). An important part of using credit wisely is to annually review your credit reports. Checking your credit report helps you spot errors and serves as a safeguard against credit fraud.

**Be careful with your credit cards.**

Here are some tips to help you. Keep your credit cards in a secure place. Tear up your receipts, outdated bills, and any pre-approved offers you receive. Never let others use your cards. You are responsible for any charges made onto your credit card. Don't lend your credit cards to friends. Too many young people get into trouble when their "friends" overspend on their accounts. If you lose your credit card, contact the company right away to prevent someone else from charging items on your credit card.

**Rates**

Let the buyer beware. This is a common saying in the high-dollar world of business. Be cautious when accepting those tempting offers with the low introductory rate. Like many people, when you go to purchase something with your credit, you think that you will pay off your debt in full before the contracted low rate runs out. The reality of it is that most people won't. Some credit card companies offer a low 5% introductory to entice you into using their credit card. This rate could jump to an astonishing 18% or higher. People smarter than you and I are counting on their research, which proves that most people won't, and the higher rate will prevail. Once again, read the fine print.

**Facts about credit debt**

Average Monthly Gross Income (What you earn)	\$2,562
Average Monthly Net Income (What you take home after taxes)	\$2,023
Average Total Outstanding Credit Debt (Total of what you owe)	\$20,045
Average Total Debt on Debt Management program	\$16,205
Average Number of Creditors	10.5

You also want to make sure that the interest rate on the card offer doesn't only apply to the remaining monthly balance on your account. Some card issuers actually charge you two interest rates - one for your transfer balance (Account balances that you transfer from one credit card to another), and one for new purchases.

Rates can also increase sharply if you're late on a payment. Some rates jump from 12% to 19.8% when an account is as little as one day late. That's often a permanent rate change, so if you fail to pay your credit bills on time, you're probably going to have to change accounts altogether. (But you should first give the credit company a call to see if you can return to the lower rate.)

### Minimum Monthly Payments

You should always pay more than the minimum monthly payment. Below is a chart, which lists examples of credit card companies, the minimum payment that they require, and an example of how long it would take to pay off the average credit card balance of \$1,100.00, while only making the minimum monthly required payment.

Credit Card Company	Minimum Payment	Annual Percentage Rate	Interest in Dollars	Months	Years to a Zero Balance
Discover	\$10.00	14.9%	\$721.00	121	10+
Citibank	\$20.00	15.4%	\$574.00	77	6+
American Express Centurion	\$25.00	14.25%	\$322.00	50	4+
Chase Manhattan	\$10.00	19.8%	\$1,618.00	185	15+
AT&T Universal	\$15.00	15.9%	\$1081.00	132	11
Bank of America	\$10.00	19.9%	\$522.00	88	7
First Chicago	\$10.00	15.9%	\$1376.00	187	15+
MBNA	\$15.00	17.9%	\$1060.00	122	10+
BancOne	\$10.00	12.9%	\$919.00	157	13+
Monogram	\$10.00	14.9%	\$847.00	136	11+

### Grace Period

If you do pay off your balance in full each month, make sure you get a credit account with a grace period (the amount of time you have to pay your bill before you start accruing interest) of 25 days or longer. Believe it or not, some credit companies start charging you interest at the time of purchase, so even if you pay off your balance each month you're still going to owe the credit company some extra cash.

Other credit companies have grace periods that only cover you for 20 days from the transaction. With these cards, if you wait to pay your bill until it's actually due, you'll still owe interest. If you carry a balance, you pay interest 365 days out of the year (or at least until you pay it off).

## Fees

With more consumers getting smarter about paying off their monthly balance, credit companies have become more creative with their fees — from transfer fees to over-the-limit fees. That's why you need to actually read the fee disclosure, which should be listed in a box on the credit card offer. Here are some things to look out for: (Make sure you read the small print.)

**Annual fees** — Also known as interest rate. Maintain a good credit rating and pay off your balance in full, and then you will be in control. There are enough good credit companies out there that don't charge this fee that it can be easily avoided.

**Closure fees** — Some credit companies will actually charge you a fee closing an account. Know it up-front whether the credit company charges this fee by reading the small print on your credit contract.

**Late fees** — Late fees can be charged if your payment is just one day late and can also lead to an increase in your interest rate.

**Overseas transaction fees** — This is a fee that could be charged when using credit when traveling to a foreign country.

## Fixed vs. Variable

You may be offered a choice between a fixed and variable rate, with the fixed rate being slightly higher. The difference between fixed versus variable rates really doesn't matter much because a fixed rate really isn't fixed at all. All "fixed" means is that when your interest rate changes, the credit company needs to warn you 15 days in advance.

In contrast, a variable rate can change without notice. Most variable rates, however, are tied to a national interest rate like the prime rate, so you shouldn't be caught completely off guard. The bottom line is that you should make sure you understand how the rate is calculated and keep an eye on your bills. But you should be doing that anyway.

## Know your rights under Consumer Credit Law

**Truth in Lending Act** — Requires creditor to provide the consumer with accurate and complete credit costs and terms.

**Equal Credit Opportunity Act** — Prohibits a creditor from discriminating against a consumer on the basis of age, sex, or marital status, reliance on income from a public assistance program, and race, color, religion, or national origin.

**Fair Credit Reporting Act** — The purpose of this act is to insure that information contained in a credit report is accurate and that it will be used in a confidential manner. Consumers have a right to dispute errors on their credit report. Inaccurate information must be corrected or deleted, and a consumer explanation statement of 100 words or less can also be included in the report. A credit bureau must also delete adverse information that is more than seven years old and information on bankruptcy, which is more than ten years old.

**Fair Debt Collection Practices Act** — A third party collector is prohibited from:

- Using abusive language to coerce a consumer into making payments.
- Calling at unreasonable hours (before 8:00 am and after 9:00 pm) or making excessive calls.
- Threatening to notify the employer or friends that the consumer has not paid his or her bills.
- Using false pretenses to gain entry to the home with the intent to identify or take something of value.
- Attempting to collect more than what is owed.
- Sending the consumer misleading letters that may appear to be from a government agency or a court of law.

**Fair Credit Billing Act** — Allows consumers to correct errors on their credit cards or charge accounts in a speedy and effective manner.

**Bankruptcy** — A legal proceeding declaring that a consumer overextended and is unable to pay obligations. Some loans may be excused and assets may be distributed among the creditors. Bankruptcy remains on a credit report for up to ten years and makes securing credit and other loans almost impossible during that time. Remember that even after the ten-year period you may never again answer "no" to the question "Have you ever filed bankruptcy?"

**Chapter 7 Bankruptcy** — A type of bankruptcy that is considered a "straight bankruptcy"; Assets (items of value that you own) as prescribed by law are liquidated by the bankruptcy courts to pay creditors.

### Credit Card Tips

1. Never buy anything that you can't afford. (Remember, when you buy something with credit it is like spending money that you haven't earned yet.)
2. Shop around for credit terms that are best for you.
3. Make sure you understand the credit terms before you accept the credit card. Review the disclosures of terms (the rules of using their company's credit card) and fees that must appear on credit card offers you receive in the mail. Make sure you read the fine print.

4. Pay bills on time to keep finance charges as low as possible.
5. Keep copies of sales slips and compare charges when your bills arrive.
6. Protect your credit cards and account numbers to prevent unauthorized use. Draw a line through blank spaces above the total when you sign receipts. Rip up or retain carbons.
7. Keep a list of your credit card numbers and the telephone numbers of each card issuer in a safe place in case your cards are lost or stolen.

### **Borrowing Money Do's and Don'ts**

#### **Do's**

**Make sure you can afford it** — Look at your monthly expenses carefully before you borrow.

**Select a credit company that is right for you** — Remember, interest and fees will be different depending on the credit company's terms (rules).

**Decide when you will pay off the money you will be borrowing before you make the purchase, and stick to your payback plan** — If you leave a balance on your account, you will be paying high interest on the money you owe.

#### **Don'ts**

**Don't be tempted to borrow a lot simply because you can** — Borrow what you need and can afford.

**Don't borrow to the very limit of your finances** — What happens if lose you job or your car breaks down and needs expensive repairs?

**Don't sign up before reading the small print** — Terms vary widely and may not be appropriate for you needs.



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**MODULE 10B: STUDENT ACTIVITIES**

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*TO THE STUDENT:* After you have read and studied how to use credit wisely, complete the following activities.

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**Activity 1: Fill in the blanks below:**

Closure fee	Comparison shopping	Credit rate	Grace period
Impulse buying	Fixed rates	Late fees	Annual fees
Variable rates	Financial plan	Credit report	

1. \_\_\_\_\_ is when you buy something on-the-spot without thinking of the consequences.
2. \_\_\_\_\_ is a history of any previous money that you may have borrowed.
3. \_\_\_\_\_ are rates that are tied to national interest rates and can change without notice.
4. \_\_\_\_\_ are charges that will be added onto your account when you fail to pay your bill on time.
5. \_\_\_\_\_ is the amount of money that a credit company will charge you for borrowing their money.
6. \_\_\_\_\_ are interest rates that cannot change without 15 days notice.
7. \_\_\_\_\_ are costs that are charged by the credit company when you close an account.
8. \_\_\_\_\_ is a length of time the credit company gives you before they start charging interest.

9. \_\_\_\_\_ is a strategy designed to make sure you stay within your budget.
10. \_\_\_\_\_ is used when you shop around to see which credit company offers you the best deal.
11. \_\_\_\_\_ are also known as interest rates.
- 

**Activity 2: Answer the questions based on the charts provided in the module.**

1. You borrowed \$1,100.00 and will be paying the minimum payment of \$15.00 at an interest rate of 17.9%.
    - a. How much extra money will you be paying due to the cost of interest?
    - b. How long will it take you pay off the borrowed money?
  2. You borrowed \$1,100.00 and will be paying the minimum payment of \$25.00 at an interest rate of 14.25%.
    - a. How much extra money will you be paying due to the cost of interest?
    - b. How long will it take you pay off the borrowed money?
  3. What is the average amount of debt that people owe?
  4. What is the average monthly income that a person earns?
  5. What is the average yearly income that a person earns?
- 

**Activity 3: Write a short essay.**

Briefly explain what you learned about credit. Discuss the benefits of establishing credit. Explain the pitfalls that may result if you carelessly manage your credit.

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**MODULE 10B: STANDARDS ADDRESSED IN THIS MODULE**

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**Pennsylvania's Academic Standards for Career Education and Work****13.3.11 Career Retention and Advancement**

- D. Develop a personal budget based on career choice, such as, but not limited to:
- Charitable contributions
  - Fixed/variable expenses
  - Gross pay
  - Net pay
  - Other income
  - Savings
  - Taxes

**Pennsylvania's Academic Standards for Reading, Writing, Speaking and Listening (RWSL)****1.1.11. Learning to Read Independently**

- E. Establish a reading vocabulary by identifying and correctly using new words acquired through the study of their relationships to other words. Use a dictionary or related reference.

**1.5.11. Quality of Writing**

- A. Write with a sharp, distinct focus.
- Identify topic, task and audience.
  - Establish and maintain a single point of view.
- F. Edit writing using the conventions of language.
- Spell all words correctly.
  - Use capital letters correctly.
  - Punctuate correctly (periods, exclamation points, question marks, commas, quotation marks, apostrophes, colons, semicolons, parentheses, hyphens, brackets, ellipses).
  - Use nouns, pronouns, verbs, adjectives, adverbs, conjunctions, prepositions and interjections properly.
  - Use complete sentences (simple, compound, complex, declarative, interrogative, exclamatory and imperative).