

It's Your Money

Fall 2004

Produced by the New York City Financial Network Action Consortium

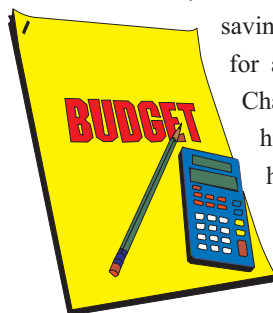
Article No. 3

Choosing a Financial Services Provider

Managing your money wisely is quite a challenge. You have to set goals, control your spending, and save regularly. When you manage your money wisely, you put yourself on the path to financial freedom.

For example, Charles wants to manage his money wisely. His goal is to save money to buy a house. Most likely, you have similar goals. Perhaps you want to buy a house, start your own business, or send your kid to college. Charles wants to take the right steps to reach his financial goals.

First, he set a **budget**. A budget is a savings and spending plan for a certain time period. Charles's budget helped him understand where his money went so that he would not spend more money than he had. His budget helped him start saving for emergencies, other unexpected expenses, and his dream of buying a house.



Another important step is to choose a financial services provider. Picking the right one depends on your needs. Charles, for example, needed a financial services provider who (1) spoke his language; (2) made him feel welcome; (3) offered a safe place to save; (4) did not charge high fees for its services; and (6) did not require a high minimum deposit to open an account. He also expects that the documents he has are enough to open the account.

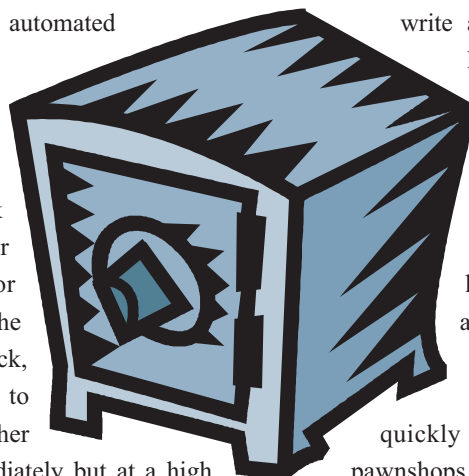
Once Charles had his list of needs, he visited different financial services providers. He first visited a **bank**. The minimum amount of money required by the bank to open the account seemed reasonable to Charles. He asked about monthly account charges, or maintenance fees, and also about the fees the

bank charges for using its automated teller machines (ATMs).

Charles knew about other kinds of financial service providers, such as **check cashers**. Check cashers charge fees for cashing your check. For example, if you give the check casher a \$100 check, he could charge up to \$8 to cash it. So, a check casher will give you cash immediately but at a high cost. It was clear to Charles that a check casher would not help him reach his financial goals. Not only he would end up paying high fees, but he could not open a savings account nor apply for a loan.

Charles heard a **pawnshop** will loan you money if you leave with them a valuable item, like jewelry, cameras, or an electronic appliance. This is called a **collateral loan**. The pawn shop keeps your item for 30 days. During this time you must repay your loan at a high rate of interest, or the pawned item becomes the property of the pawn shop. It then sells the item to recover its money. Really, you borrow a small amount of money and risk losing something much higher in value. A pawn shop would definitely not help Charles meet his financial goals.

Payday lenders also interested Charles. They loan to people who have a checking account and a job. The person who needs the money, the borrower, writes a **postdated check** to the payday lender. A postdated check has a date when the borrower will next receive a paycheck. For example, if you need \$100 in cash right away, you would



write a check to the payday lender for \$125 (this includes interest). On the next payday, the payday lender cashes your postdated check. On a short term loan like this, the \$25 charge amounts to a very high rate of interest.

Charles learned quickly that check cashers, pawnshops, and payday lenders are money traps. They appear to provide a quick fix for your money problems. But you end up paying a lot more and for a lot longer than you thought. The services they provide are limited and do not help you build a better financial future.

Finally, Charles went to a **credit union**. He learned that credit unions, like banks, are a safe place to save. Deposits at credit unions are insured by a government agency. This means that your money is 100 percent safe. Credit unions offer services similar to those offered by banks. But unlike banks, credit unions are owned by their depositors, or members. Credit union members also share something in common, so it is like being part of a community. They might belong to the same house of worship, work for the same company, or live in the same community.

After shopping around, Charles chose to



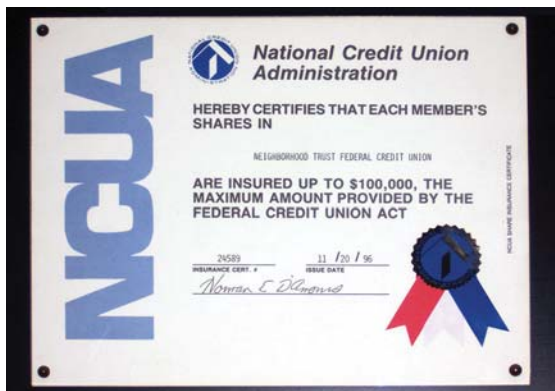
open an account at a **community development credit union** (CDCU). These credit unions provide services to all persons regardless of their nationality, immigration status, age or occupation.

Credit unions generally charge lower fees than banks and other providers, and pay higher interest, called **dividends**, on savings accounts. They can do this because they don't have to make a profit for outside investors. Also, it is generally easier to qualify for a loan at a credit union and you don't have to pay to cash a check.

Charles felt safe by opening his savings account at a credit union, knowing that his money is insured up to \$100,000. Being a credit union member means that Charles would get a say in how the credit union is run. He could attend its annual meeting and vote for its board members.

He also liked that he could get a mortgage for a house through the credit union.

The credit union was a good choice for Charles. It was easy to open an account with the documentation that he has and he likes that a credit union exists to serve its members, not to make a profit. A credit union might be the best choice for you too!



This article was written and designed with the help of volunteers from The McGraw-Hill Companies Writers to the Rescue Program.



New York City Financial Network Action Consortium (NYCfNAC)
175 Remsen Street, Suite 350 • Brooklyn, New York 11201
Tel: 718-260-0099 ext. 102 • Fax: 718-260-0085 • www.nycfnac.org

These Community Development Credit Unions welcome you:

UPPER MANHATTAN

Homesteaders Federal Credit Union

2052 Clayton Powell Jr. Blvd.
(between 122nd & 123rd Street)
New York, NY 10027
Tel: 212-222-0328
Monday to Friday 10:00am - 4:00pm
Thursday 4:30pm - 6:00pm
Saturday 10:00am - 1:00pm

Union Settlement Federal Credit Union

237 East 104th Street
(between 2nd & 3rd Avenue)
New York, NY 10029
Tel: 212-828-6061/6062
Mon., Wed. & Fri. 8:30am - 3:30pm
Thursday 8:30am - 3:30pm &
4:30pm - 6:00pm

LOWER MANHATTAN

Lower East Side People's FCU

37 Avenue B
(at the corner of East 3rd Street)
New York, NY 10009
Tel: 212-529-8197
Tues., Wed. & Fri. 10:00am - 3:00pm
Thursday 10:00am - 3:00pm &
4:00pm - 7:00pm
Saturday 10:00am - 1:00pm

BROOKLYN

Bushwick Cooperative FCU

1475 Myrtle Avenue
(between Bleecker St. & Menahan St.)
New York, NY 11237
Tel: 718-418-8232
Tuesday - Thursday 9:00am - 4:00pm
Friday 9:00am - 6:00pm
Saturday 9:00am - 3:00pm

Credit Unions typically provide:

- Low-fee savings and checking accounts
- Free tax preparation
- Low-cost loans

Call the Credit Union nearest you for more information