



## Banking Toolkit

**Pathfinders** is a 501(c)(3) non-profit organization that assists families on their way to economic self-sufficiency. As a partner in The United Way of Tarrant County's Financial Stability Initiative, **Pathfinders** provides financial coaching to low and moderate income people who are trying to improve their financial outlook.

Financial coaching goes beyond financial education to focus on individual financial practices that will lead to financial stability. This is your opportunity to work with a trained financial coach to identify changes you can make to attain your goals.

### Benefits of Putting Money in the Bank

- Your money is safe, the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA) insures most bank deposits up to \$250,000 per depositor.
- Depending on the bank and the type of account you may be able to earn interest.
- You can easily access your cash by visiting one of your bank's branches, visiting an ATM, or getting cash back from a retailer.
- Banks have lower or no fees for cashing checks, unlike check cashing services.

### Types of Financial Institutions

- Bank
  - ◆ Operate under state and federal regulations
  - ◆ Make deposits and loans (home, car, small business, or educational)
- Credit Union
  - ◆ Nonprofit organization owned by the group of people it serves
  - ◆ Accept deposits and make loans to members
  - ◆ Membership requirements vary depending on the credit union

### Types of Accounts

- Checking Account
  - ◆ Allows you to write checks and pay bills or buy goods. The financial institution takes the money from your account and pays it to the person named on the check and sends you a monthly record called a bank statement.
  - ◆ There may be a debit card attached to the account that works just like a check.
- Savings Account
  - ◆ Allows you to earn interest
  - ◆ You cannot write checks on a savings account
- Money Market Account
  - ◆ A checking account typically has higher rates of interest than savings accounts and requires higher minimum balances

- ◆ May limit number of withdrawals or checks per month
- Certificate of Deposit (CD)
  - ◆ A deposit account with a fixed term (one month to five years) and interest rate
  - ◆ Interest rates are usually higher than savings accounts
  - ◆ No withdrawals without penalty
- Non Deposit Products
  - ◆ Stocks, bonds, and mutual funds (not insured by the FDIC)

## **Fees**

- Whichever institution you choose or account you open, always be aware of possible fees associated with it.
  - ◆ Account Maintenance Fees: typically a few dollars charged if you don't fulfill the minimum balance requirement
  - ◆ Overdraft & Insufficient Funds Fees: charged if you overdraw (your bank account didn't have enough money to cover the check or charge) from your account either through your debit card or personal check
  - ◆ Stop Payment Fees: charged if you write a check and want to stop the bank from paying it out
  - ◆ ATM Fees: charged if you use an ATM that is not in your bank's network
- Managing your money consistently can prevent most or all fees



## How Much Does it Cost to Cash Checks and Buy Money Orders?

Living on a tight budget makes every penny count. If you do not use a bank account to cash checks and pay your bills, chances are you are spending too much for these services.

- Your weekly payroll check is \$\_\_\_\_. The check casher charges you **2%** of the check's face value to cash it, which is \$\_\_\_\_\_.
- If you cash **50** checks each year, you're paying \$\_\_\_\_\_.
- You also buy money orders to pay your bills, \$200 a month. You pay **\$1.00** for each money order.
- In a year, you are paying  $\$1.00 \times 12 \times 3 = \$$ \_\_\_\_\_.

Your **total annual spending** of financial services is \$\_\_\_\_\_.

Your Alternatives:

- You can open a checking account at a bank or credit union
- You can ask your employer if the company will cash your check for you, or you can go to the bank where the employer banks and cash your check, usually for free.
- Some grocery stores will cash your check if you shop there.
- Many banks will cash a government check for free.
- If you receive a personal check, the bank whose name is on the check may cash the check for free.

# Why Should I Bank?

A bank account can be a great and affordable way to save, manage, and keep your money secure. If you have concerns about opening an account, read on to learn about how having a bank account can be a huge benefit to you and help you become more financially secure.

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- 1 Banking Is Safe** When your money is in a bank, it cannot be lost, stolen, or damaged. If you keep money where you live or carry a lot of cash with you, your money is not safe. If a bank fails, your money is protected by the Federal Deposit Insurance Corporation (FDIC). But banking is only safe when you're the only person who knows your PIN. When you open your account, be sure not to share your PIN with anyone, even with people you trust.
- 2 Banking Is Easy** With online banking and ATMs in many convenient locations, it is always easy to get cash when you need it. With a checking account or online banking, making your payments for rent, utility bills, and other essentials is much easier than getting a money order. You can also have your paycheck direct deposited to your account to get your full paycheck on payday. For details, see [Automate Your Banking](#). You can also use your bank account debit card anywhere you can use a credit card to make purchases. Just make sure you always know your balance so you don't overdraw your account.
- 3 Banking Is Affordable** Once you have a bank account, you will no longer need to fork over your hard-earned money to purchase money orders or to cash checks. Do your research to find accounts that won't charge you any fees. Go to [findabetterbank.com](http://findabetterbank.com) or speak with your Coach about fee-free banking options in your area. Track your research on [Which Accounts Work Best For Me](#).
- 4 Prepaid Debit Cards Are Not Ideal** You may have a prepaid card and find it useful, but take a close look at the fees you pay. Chances are you can save money if you open a bank account instead. For more, see [Get Past The Hype: 5 Things To Know About Prepaid Debit Cards](#).
- 5 "But If I Open A Bank Account, I'll Lose My Benefits"** Definitely a valid concern, but your benefits will not be affected as long as you maintain less than \$2000 in your account(s).
- 6 "But I'm Undocumented. I Can't Open An Account"** Yes you can! Even if you're undocumented you can (and should!) open a bank account. Check out [Get Banked In America](#).
- 7 "But I Owe A Lot Of Money And I'm Afraid My Creditors Will Take It"** Your concern may be valid, but if you follow a few simple guidelines, your money should be safe. See [Protect Your Assets From Judgments](#). In New York, the first \$1920 in a bank account is safe from private creditors. If you owe money to the government, different rules apply. Consult with an attorney about your options.

# 6 Easy Steps To Open A Bank Account

A checking or savings account is a great way to start saving and take advantage of valuable banking services. Plus, a bank account will save you money if you are using expensive fringe services. If you know what to look for, you can soon be on your way to building your savings and achieving your financial goals.

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- 1 Do Your Homework** Compare banks that have branches and/or ATMs close to where you live or work. If you use the internet regularly, research online banks too! Do some comparison shopping using the [Which Accounts Work Best For Me?](#) tipsheet. Credit unions can be a great alternative to banks since they offer many of the same convenient services, but usually with lower fees and higher interest rates.
- 2 Be A Savvy Customer** Look for bank accounts with the most features (high interest rates, debit card, direct deposit, auto bill pay) for the least amount of money (no monthly account fees, no minimum balances, low ATM fees). Don't forget that under some state laws, banks must offer a "lifeline account", essentially basic banking services at low cost. Explore your local resources and go online at [joinbankon.org](http://joinbankon.org) to see if the national "Bank On" movement has reached your city.
- 3 Be Prepared** Once you identify a bank account, the application will likely require you to prove your identity and address. Call ahead to confirm the documents your bank will accept, but typical requirements are a government-issued ID (U.S. or foreign, including consular cards) and a utility bill in your name.
- 4 ...And Ready To Do Business** Banks often require a minimum opening deposit. You may also want to ask about how to avoid certain fees and minimums if you maintain a certain balance. Save time by setting up direct deposit of your paycheck. You may be able to save on fees. Plus you'll have access to your paycheck instantly, no matter what day or time.
- 5 Let The Bank Do The Hard Part** Take advantage of the auto-deduct feature on accounts. Set it up so that the bank automatically transfers a few dollars every week or month to your savings account. Don't get stuck on how many dollars, savings is not an amount but an activity.
- 6 Get Creative** Consider how multiple bank accounts can help to keep you organized and on track to reaching your financial goals. A checking account can be used for managing day-to-day expenses, while a savings account can keep money separate and designated for different goals. Additional savings accounts can have specific purposes, such as an emergency savings fund, holiday spending account, or vacation savings account. Speak with a financial coach about 529 Plans and retirement accounts.

**Note:** Monitor your banking history regularly. Credit card companies aren't the only ones reporting your financial history. Mishandled checking and savings accounts are reported into a centralized system. Keep track of your banking record by getting your free "ChexSystems" report yearly. Call 800-428-9623 or go to [chexsystems.com](http://chexsystems.com).

# Which Accounts Work Best for Me?

NAME OF BANK OR CREDIT UNION	ARE THERE ANY FEES?	CAN FEES BE WAIVED? HOW?	WHAT OTHER MONTHLY COSTS CAN I EXPECT?	MINIMUM DEPOSIT REQUIRED TO OPEN THE ACCOUNT AND KEEP IT OPEN	ARE THERE FREE ATMS WHERE I NEED THEM MOST?	WHAT ELSE IS IMPORTANT TO ME?
1	CHECKING:			\$ _____ TO OPEN \$ _____ TO MAINTAIN		
	SAVINGS:			\$ _____ TO OPEN \$ _____ TO MAINTAIN		
2	CHECKING:			\$ _____ TO OPEN \$ _____ TO MAINTAIN		
	SAVINGS:			\$ _____ TO OPEN \$ _____ TO MAINTAIN		
3	CHECKING:			\$ _____ TO OPEN \$ _____ TO MAINTAIN		
	SAVINGS:			\$ _____ TO OPEN \$ _____ TO MAINTAIN		
4	CHECKING:			\$ _____ TO OPEN \$ _____ TO MAINTAIN		
	SAVINGS:			\$ _____ TO OPEN \$ _____ TO MAINTAIN		
5	CHECKING:			\$ _____ TO OPEN \$ _____ TO MAINTAIN		
	SAVINGS:			\$ _____ TO OPEN \$ _____ TO MAINTAIN		

The best CHECKING account option for me is \_\_\_\_\_.

The best SAVINGS account option for me is \_\_\_\_\_.

The documents required to open this account are:

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- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

# Choosing a Bank and a Bank Account Checklist

Use the **Choosing a Bank and a Bank Account Checklist** when looking for a bank and accounts that are right for you.

*If the financial institution is a credit union, be sure you are eligible to join.	Bank Name/ Account Type	Bank Name/ Account Type	Bank Name/ Account Type
<b>Bank Information</b>			
Does the bank offer the services I need?			
Convenient branches and ATMs?			
Bank hours?			
Do employees speak my language?			
Is it insured by FDIC/NCUA?			
<b>Accounts</b>			
• Requirements for opening account?			
<b>Checking Accounts</b>			
• Minimum opening balance?			
• Minimum monthly balance?			
• Fees?			
• Fee waivers available?			
• Number of withdrawals per month without a fee?			
• Earns interest?			
• Deposit hold times?			
<b>Overdraft Programs</b>			
• Low balance alerts offered?			
• Overdraft fees?			
• Link to a savings account to cover overdrafts?			
• Opt-out options?			
<b>Savings accounts</b>			
• Minimum opening balance?			
• Minimum monthly balance?			
• Annual percentage yield (APY)?			
• Fees?			
• Fee waivers available?			
• Withdrawal limits per month?			
• Services available?			
<b>ATM Cards</b>			
• Fees?			
• Fee waivers available?			
• Location/number of ATMs?			
<b>Debit Cards</b>			

• Fees?			
• Fee waivers available?			
• Rebates or bonuses for use?			
• Location/number of ATMs?			
• Debit card transactions requirements or limits?			
<b>Mobile/online banking</b>			
• Is it available?			
• Transaction types and limits?			
• Fees?			
• Fee waivers available?			
• Online bill pay?			
<b>Other Information?</b>			
<b>Total Monthly Costs</b>			
<b>Total Annual Costs</b>			

# CDs & Savings Bonds: A Surefire Way To Save

When outlining a game plan to save for your financial goals, make sure you do your research. Educate yourself about all of the options out there, so that you can make an informed decision about what makes most sense for you. Certificates of Deposit (CDs) and savings bonds are a safe, easy, and reliable way to set aside money for the future.

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## Certificates of Deposit

## US Savings Bonds

### What Is The Difference?

- ▶ A CD is a short-term savings instrument (generally 1 month to 5 years). You allow the bank to use your money for a certain period of time, and at the end of the term, you get your money back plus the interest

- ▶ A bond is a long-term savings instrument (at least 5 years) with the U.S. Government. At the end of the loan, the government will pay you back the amount of your loan plus interest
- ▶ There are 2 types of savings bonds (Series EE and Series I)

### How Do You Buy Them?

- ▶ At your local bank or credit union

- ▶ At your local bank or credit union
- ▶ Online at [treasurydirect.gov](https://www.treasurydirect.gov)

### What's The Cost To Purchase A CD Or Bond?

- ▶ CDs have a minimum investment amount of around \$500, but check with your bank for specifics

- ▶ Minimum \$25 Series EE (\$25 purchase gets you a bond, redeemable for \$50 in 20 years or less)
- ▶ Minimum \$50 Series I (buy at face value, interest rate adjusts with inflation)

### Early Withdrawal Penalties

- ▶ Penalties can wipe out interest and eat into principal
- ▶ If you might need access to the funds, ask about liquid CDs

- ▶ Generally cannot be redeemed for the first 12 months after purchase
- ▶ Bonds redeemed before 5 years will lose the last 3 months of interest

### How Does The Interest Work?

- ▶ When you buy a CD, you lock in a fixed interest rate. At the end of the term, you get your loan plus interest back

- ▶ Interest will accrue every month, but it will not be distributed until you redeem the bond
- ▶ Interest can be earned up to 30 years

- ▶ No fees (to purchase or to cash in)
- ▶ Competitive interest rate
- ▶ FDIC Insured
- ▶ Good short-term investment

Attractive Features

- ▶ No fees (to purchase or to cash in)
- ▶ Competitive interest rate
- ▶ Low minimum
- ▶ State & local income tax exempt
- ▶ Return on investment exempt from federal taxes if used to pay for college
- ▶ Money is guaranteed by U.S. government
- ▶ Protected if lost, stolen, or destroyed by the Bureau of the Public Debt
- ▶ Portable (redeem at nearly any bank)
- ▶ Great as gifts (e.g. for kids, grandkids)



# Dealing With a Negative ChexSystems Report

- 1 Get the facts:** Request your ChexSystems Consumer Report. Doing so will allow you to access the information listed in your file. If you have recently been denied an account by a bank, the report will help you understand why the bank made its decision. You can order your ChexSystems report by calling 800-428-9623 or by visiting [chexsystems.com](http://chexsystems.com).
- 2 Set the record straight:** Now that you have your report, check to see what items, if any, appear in the “Reported Information” section of your report. If you believe there are any errors, inaccuracies, or signs of fraudulent activity in your report, begin the dispute process immediately. This can be done directly through ChexSystems by downloading the dispute form on their website or by contacting the financial institution that reported the information on file.
- 3 Take action:** “Negative items” on ChexSystems should be cleared as soon as possible. Money owed to a financial institution should be paid off immediately. Contact your bank to see if you can lower the amount you owe or to negotiate a payment plan. Remember to carefully assess new agreements or terms you reach with the bank and to keep a record of all documents and interactions related to the claim.
- 4 Explore alternatives:** Living without a checking account can prove difficult, which is why some banks offer, and may approve you for, a “second chance” checking account. This type of account may come with restrictions or higher fees so remember to read the fine print carefully. You can place a statement on your ChexSystems report. Including a statement in your report can provide a financial institution looking at your profile with more insight into derogatory items that may have involved factors such as unresolved cases relating to identity theft or emergency medical expenses.
- 5 Hand in your report card:** Once you have cleared the negative items in your report, contact ChexSystems and request that they submit a report explaining that the account has been paid. Although your ChexSystems report stays on file for a period of five years, the status of the debt is updated to “paid” if you have paid or settled the debt with the institution that filed the claim. Keep in mind that a bank is likely to look at negative items more favorably once the account(s) has been paid.

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In order to complete this form electronically, please save a copy to your computer. Complete the form, save the information and name the file. You will then have the ability to print the form and either mail or fax it to ChexSystems.

## Order Your Report Offline

Obtaining information under false pretenses is illegal. Obtaining a report on someone other than yourself is punishable by law, and can result in fines and/or imprisonment.

In order for Chex Systems, Inc. to properly identify the information contained in your consumer file, please provide the following information:

**First Name** \_\_\_\_\_

**Middle Name** \_\_\_\_\_

**Last Name** \_\_\_\_\_

**Maiden name or other last names used** \_\_\_\_\_

**Address\***  
(Street, PO Box, Apt #) \_\_\_\_\_

**City** \_\_\_\_\_ **State** \_\_\_\_\_ **Zip** \_\_\_\_\_

**Phone Number** \_\_\_\_\_ **Phone Type** Home  Cell

**U.S. Social Security #** \_\_\_\_\_ **Birth Date** \_\_\_\_\_

**U.S. Driver's License #** \_\_\_\_\_ **State of issuance** \_\_\_\_\_

\*ChexSystems will correspond with you at the above address unless you request otherwise

### Addresses of any other residences you have had in the past five years

**Address**  
(Street, PO Box, Apt #) \_\_\_\_\_  
**City** \_\_\_\_\_ **State** \_\_\_\_\_ **Zip** \_\_\_\_\_

**Address**  
(Street, PO Box, Apt #) \_\_\_\_\_  
**City** \_\_\_\_\_ **State** \_\_\_\_\_ **Zip** \_\_\_\_\_

**Address**  
(Street, PO Box, Apt #) \_\_\_\_\_  
**City** \_\_\_\_\_ **State** \_\_\_\_\_ **Zip** \_\_\_\_\_

**Signature** \_\_\_\_\_ **Date** \_\_\_\_\_

Order by Mail	Chex Systems, Inc Attn: Consumer Relations 7805 Hudson Rd, Suite 100 Woodbury, MN 55125
Order by FAX	Fax to 602.659.2197

# 5 Ways to Get the Most Out of Online Banking

Online access to bank accounts can give you faster access to your account. That access can provide more flexibility and support as you make decisions about your financial future. With online banking, you no longer have to rely on a branch's hours. Not only is online banking a 24 hour service, but it can be done from just about anywhere there is a decent internet connection.

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- 1 Access your account anytime, anywhere** Embrace convenience. Bypass bank lines and take care of your banking needs from the comfort of your own home. Instantly transfer funds between accounts, pay bills, check account balances, issue stop payment requests, and order check books. With online banking you can truly bank when it suits you.
- 2 Monitor your account** Keep track of your account regularly. Try to get into the habit of checking account balances and transaction history every few days. By monitoring your account on a consistent basis, you will always be aware of what is happening with your funds.
- 3 Online statements** Once you go digital, you can enjoy paperless statements and monthly email notifications that will help you keep track of your account information and balances. Moreover, you can put away the paper shredder you use to destroy personal information on the bank statements you get in the mail because paperless statements reduce the risk of mail fraud.
- 4 Stay on top of bills** With online banking you can avoid the hassle of writing checks, filling out envelopes, using stamps, and getting the bill in the mail on time. With one click you can take care of that phone or utility bill. If you want to simplify bill pay even further, you can sign up for automatic bill payments using your debit or credit card so you never stress about missing a payment again. If you do so, set up alerts to make sure you have enough money in your account and that you are not blindly overpaying.
- 5 Sign up for automated messages** Once you've set up online banking, remember to sign up for automated alert messages that will let you know when your balance is running low, when you've been charged an overdraft fee, when possible fraudulent activity has been detected, and other important information. You can opt to receive automated alerts by e-mail or text message.

# Get Past The Hype: 5 Things To Know About Prepaid Debit Cards

If you're considering a flashy prepaid debit card promoted by a celebrity or heavily marketed as a bank account substitute, do your research. Hidden beneath the hype you'll find fees and missing protections for your money. Read on to decipher prepaid debit cards' marketing tactics to save and protect your money.

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- 1 Watch Out For Fees** Prepaid debit cards often charge fees for everything, including activation, reloading, monthly maintenance, and even for calling customer service. Read the fine print as you consider prepaid cards and calculate the monthly cost. If you already have a prepaid debit card, review documents for hidden fees and calculate your monthly costs. While bank accounts are required by law to disclose all bank account fees, prepaid debit card issuers are not, so you may be in for a rude awakening even if you read the fine print.
- 2 Protect Your Money** While all bank accounts are covered by the Federal Deposit Insurance Corporation (FDIC) which protects your money even if your bank should fail, not all prepaid debit cards are covered. Only consider cards that are FDIC insured. Additionally, while banks are required to reimburse unauthorized bank debit card transactions, prepaid debit card issuers are not. For more information about the safety and transparency of prepaid debit cards, visit the Consumer Financial Protection Bureaus FAQs at <http://www.consumerfinance.gov/askcfpb/> and click on Prepaid Cards.
- 3 Only Credit Cards Build Credit** Many companies claim that prepaid debit cards can build your credit. While some prepaid debit cards are offered through major banks and branded with Visa, Mastercard and American Express logos, prepaid debit card issuers do not furnish that information to the Credit Reporting Agencies (CRAs). A prepaid card won't help your credit. If you're having a hard time qualifying for a credit card, ask your Coach about secured credit cards, which report to the CRAs.
- 4 Don't Be Fooled By Name Brands** Just because prepaid debit cards are backed by popular stores, banks, and your favorite celebrities does not mean that it is a safe and good place to put your money. Look beyond the name brands and assess all of your banking products options. Use the [Which Accounts Work Best For Me](#) WorkSheet to research banks in your neighborhood and ask your Coach about online banking options that might be appropriate. If you are undocumented, prepaid debit cards are not your only option. Review [Get Banked In America](#) to start the process of opening a bank account.
- 5 You Are Not As Anonymous As You Think** Some consumers use prepaid debit cards to lay low and stay anonymous. However, when applying you must provide your social security number or drivers' license number and address. If you have judgments or owe money to the government, your creditors may freeze access to and take money from your card. Review [Protect Your Assets From Judgments](#) for details about bank account seizures.

# 4 Fringe Services To Avoid

While payday loans and paid tax preparers are convenient, they are costly. Avoid fringe services and use the fixes to be a better consumer. With the money you save, you may not have to use them again. Some states have outlawed payday loans and other fringe services. Don't be tempted by online alternatives that circumvent the laws.

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- 1 **Payday Loans:** If you get an advance on your paycheck through a payday loan, you'll have to pay an extremely high interest rate (as high as 800%), as much as \$25 for each \$100.

**The Fix:** Sign up for a bank account and ask your employer if your paycheck can be direct deposited. Your paycheck will be in your account on payday, no fees. If you've already gotten a payday loan and the lender does not stop automatically deducting payments, you're best bet is to close that account and seek financial coaching. Your local department of consumer affairs might also help.

- 2 **Refund Anticipation Loans (RALs):** Many commercial tax preparers will give you a loan based on your return after you file, but these loans have high interest rates that eat into your refund.

**The Fix:** Find free tax preparation services in your area and have your refund direct deposited to your account. It takes about seven business days, which is about how long it would take to get a RAL from a commercial tax preparer.

- 3 **Rent-To-Own Stores:** These stores aren't a good deal. Most of the money paid is a rental fee and by the time you've actually bought a refrigerator at a rent-to-own store, you will have spent three to ten times more than if you had bought the item regularly.

**The Fix:** Save before you make big purchases so you can pay in cash. If you need a big purchase immediately, use a low-interest credit card if you can make the minimum payments.

- 4 **Pawnshops:** Pawning items to get a short-term loan is a bad idea. You'll pay a high interest rate and you'll lose the item if you don't pay back the loan on time.

**The Fix:** Establish clear savings goals and an emergency fund, so you have money in the bank when you need it. Consider selling your items in a competitive marketplace, perhaps online.

**Note:** Although check cashers are convenient, they take part of every check you cash, which can add up to hundreds of dollars a year. When you use check cashers for money orders to pay bills, you pay unnecessary fees. Consider getting a free checking account and setting up direct deposit of your paycheck.

## Tool 3:

# Red flags

If you find you have checked one or more of these red flags when you are considering a financial product or service, pause and take a closer look.

### Red flag list

Sales tactics and red flags for loans and other financial products or services

 Sounds familiar	Red flag	Description
	Pressured sales tactics	You are pressured to purchase things or to take out loans you don't want or can't afford.
	Lack of uniformity	Different staff or salespeople are telling you different things regarding pricing or other information.
	Won't put it in writing	No one will give you clear information in writing – even when you ask for it.
	Unexplained fees	No one can explain what certain fees are for or why they are so high.
	No clear cancellation or return policy	There's no clear cancellation or return policy. Don't assume that you are able to return a product or cancel a purchase.
	Inconsistent information on interest rates	The salesperson tells you about an interest rate, but the numbers on the form are much higher.
	Pushed to purchase	You are being pushed to make a big-ticket purchase immediately.
	Steering and coercing	Aggressive sales tactics are used to steer and coerce you toward a high cost loan, even though you could have qualified for regular prime loans.

## Red flags when signing loan documents

✓ Sounds familiar	Red flag	Description
	Paperwork doesn't match the sales pitch	The promises made to you by a salesperson are not in the papers that you are asked to sign.
	Confusing fine-print	A good rule of thumb is to refuse to sign anything that you don't understand.
	Incomplete paperwork	Never sign a contract with blank spaces to be filled in later.
	Additional insurance and other add-on products	Some lenders may insist on or imply that borrowers must buy unnecessary items – additional insurance, unneeded warranties, monitoring services, etc. They get incorporated into the loan amount, and the borrower pays interest on them over the life of the loan.
	Prepayment penalties	Prepayment penalties are fees lenders require a borrower to pay if the borrower pays off a loan early.

This tool is included in the Consumer Financial Protection Bureau's toolkit. The CFPB has prepared this material as a resource for the public. This material is provided for educational and information purposes only. It is not a replacement for the guidance or advice of an accountant, certified financial advisor, attorney, or otherwise qualified professional. The CFPB is not responsible for the advice or actions of the individuals or entities from which you received the CFPB educational materials. The CFPB's educational efforts are limited to the materials that CFPB has prepared.

This tool may ask you to provide sensitive information. The CFPB does not collect this information and is not responsible for how your information may be used if you provide it to others. The CFPB recommends that you do not include names, account numbers, or other sensitive information and that users follow their organization's policies regarding personal information.