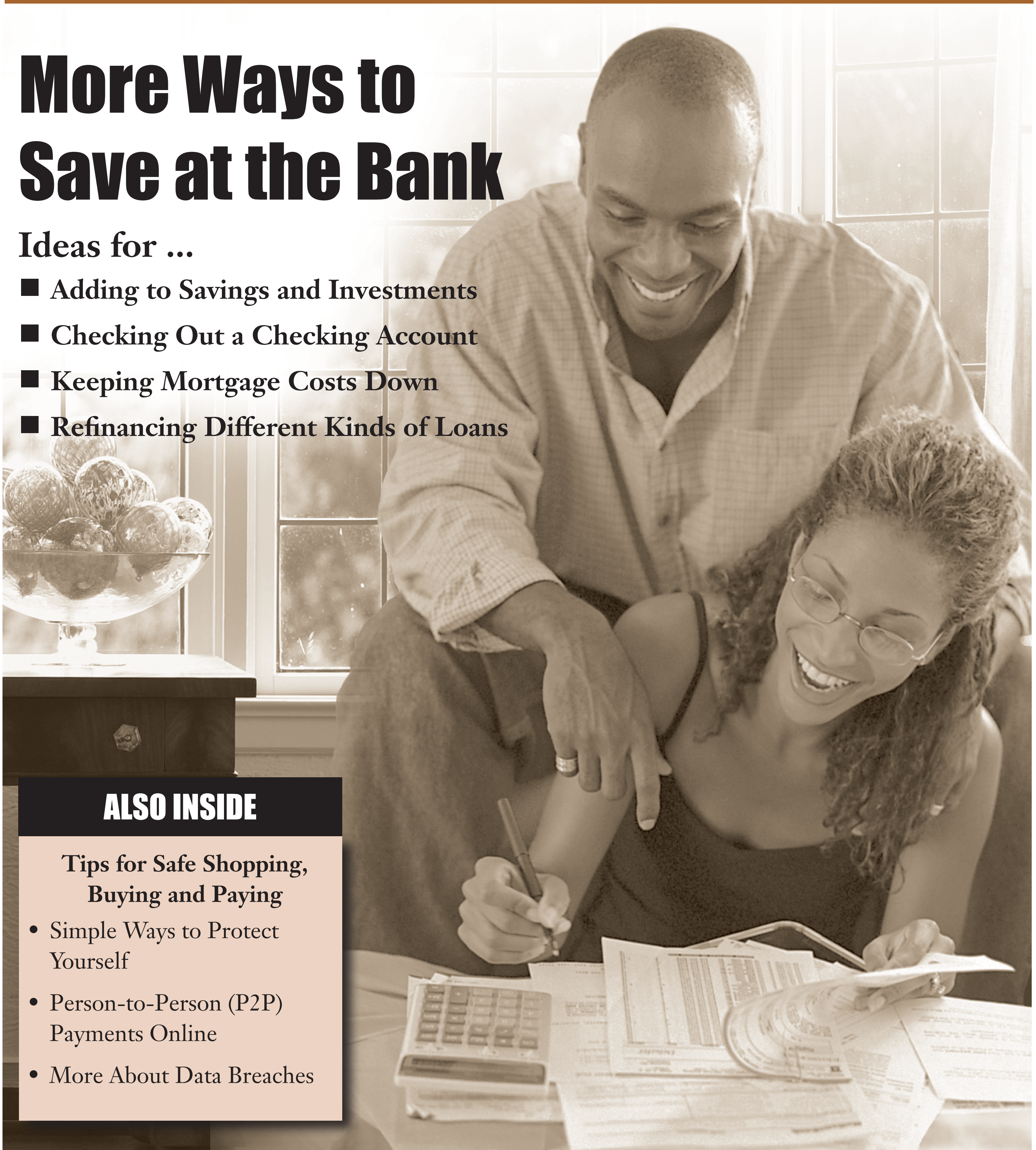
FDIC Consumer News

Spring 2014



More Ways to Save at the Bank

Ideas for ...

- Adding to Savings and Investments
- Checking Out a Checking Account
- Keeping Mortgage Costs Down
- Refinancing Different Kinds of Loans

ALSO INSIDE

Tips for Safe Shopping, Buying and Paying

- Simple Ways to Protect Yourself
- Person-to-Person (P2P) Payments Online
- More About Data Breaches

Saving and Investing for Your Future: Questions to Ask Yourself *Now*

Finding money to put into savings can seem difficult, but there are some strategies that can make it easier. Start by asking yourself these questions.

Do I have savings goals? Knowing how much you want to save and why can help you stick to a plan.

For example, if you have a young child, ask yourself if you plan to help pay for college. Research indicates that children who have a college savings fund are more likely to go to college than those who don't. Start by looking at "529 plans" sponsored by your state (typically with cost and tax benefits for residents) and compare them to other 529 plan options. Learn more about college planning at www.studentaid.ed.gov/prepare-for-college.

How can I spend less? Review how much you spent in the last month and consider ways to cut back. "Start by reviewing recurring expenses — even small ones — and determine what you might be able to cut out, downgrade, or find a better deal on elsewhere," said Luke W. Reynolds, Chief of the FDIC's Outreach and Program Development Section.

Also try to pay less in interest. For example, if you have multiple loans, pay off the ones with the highest interest rates first. And, regularly reviewing your credit report and correcting errors (see the back page) can result in considerable savings on loans and insurance policies. For more about saving money on loans, see the articles on Pages 3 and 4.

Do I have an emergency savings fund? Financial experts generally recommend that you have at least six months of living expenses in a federally insured product, such as a savings account or a certificate of deposit (CD). The idea is to help you withstand a major reduction in income, such as from a job loss, or to pay for a major, unexpected home or car repair. To build your "rainy day fund," consider a combination of regular, automated deposits and any "windfalls" you receive, perhaps from a tax refund or a bonus at work.

Am I saving money on a regular basis? "Automatic transfers into savings on a set schedule can help you save money before you spend it," said Bobbie Gray, an FDIC Supervisory Community Affairs Specialist.

How much investment risk am I willing to take? Investments such as stocks, bonds and mutual funds can produce higher returns than bank deposits over many years, but you could also lose some or all of that money. (Remember, nondeposit investments are not insured by the FDIC against loss.)

In general, the longer you plan to keep money invested and the greater your tolerance for volatility, the more likely these investments can help you reach your targets.

Am I saving enough for retirement? For many, the answer is "no" even when they think it is "yes." Options to save include workplace retirement plans, Individual Retirement Accounts (IRAs) offered by many banks and investment companies, and the U.S. Treasury Department's new "myRA" (MyRetirement Account) program.

The myRA account is a simple, safe and affordable retirement savings program that is backed by the U.S. government. Savers can open an account with as little as $25, there are no fees, the account will earn interest at a variable rate, and the investment is protected so the account balance will never go down. To learn more about myRA, go to www.treasurydirect.gov/readysavegrow/start_saving/myra.htm.

"Many working people can save considerably on their taxes through qualified retirement savings. And, if your employer offers a retirement savings program of any kind, find out whether it will match your investment contributions, and then don't lose out on any matches," Reynolds added.

To learn more about ways to save, see resources from more than 20 federal agencies, including the FDIC, at www.mymoney.gov.

Checking Accounts: More Questions to Ask

Various reports suggest that it's getting harder to find free or low-cost checking accounts. To help you get the best deal on an account that meets your needs, consider these questions.

What do I need most from a checking account? "Make a list of the services you need so you can select a checking account that's a good fit," said Luke W. Reynolds, Chief of the FDIC's Outreach and Program Development Section.

Which banks should I consider for a checking account? First, make sure your current bank or prospective banks are FDIC-insured, so your deposits are protected if the institution fails. Next, consider whether you prefer to bank in person, which means you might want a bank with branches close by, or if a distant bank with online services and a convenient network of free ATMs will meet your needs.

"Far-away banks may advertise high interest rates or low fees, but don't overlook banks in your community, including smaller banks," said Bobbie Gray, an FDIC Supervisory Community Affairs Specialist. "Just because a local bank doesn't advertise online doesn't mean it may not be offering free or low-cost checking."

How can I compare the costs of different banks' checking accounts? Review each bank's disclosures of fees and services, and then focus on the costs you expect to incur. Also compare the products and features a bank offers on its Web site to what it offers when you call or visit a branch; it's possible that a special offer may be available through certain branches only and not online, or vice versa.

What can I do to get a better deal? Having your paycheck or other income directly deposited into the account may help you qualify for a more attractive account. Some banks also offer a significantly higher interest rate up to a certain balance, often provided you also meet other conditions, such as using a debit card a set number of times or receiving your statements electronically.

In addition, banks may offer cash or another one-time bonus for opening a new account. "Still, you need to decide which account is right for you for the years ahead based on how you plan to use it," Reynolds advised. "Be realistic about whether a special offer is going to consistently change the way you normally handle your finances."

Similarly, banks want to develop lending relationships with their deposit customers and some may offer a break on checking account fees if you get a new credit card or refinance a loan with them. "But if you already have several credit cards and you want to get one more just to save on checking fees," Gray said, "ask yourself if you can still closely monitor all your accounts to quickly catch a billing error or a change in account terms that could cost you money."

Am I interested in using new, high-tech ways to save money on my checking account? Text messages or e-mail alerts about your account reaching a low balance that you set (say $100) can help you curtail spending or add funds to avoid overdraft fees. Or, you may be able to save on gas and stamps by using a smartphone or ATM to deposit checks or pay bills.

How will the bank handle transactions that would put my account balance in the negative? Under federal rules, you must have previously "opted in" (agreed) to an overdraft program before a bank can charge you a fee for approving an "everyday" (one-time) debit card transaction that would exceed your account balance.

"Ask your bank how it treats transactions that you do not have enough money in your account to cover," Reynolds said. "If you have already opted in, you can change your election if you want to avoid the risk of costly fees for these transactions. You may also consider linking your checking account to a savings account to automatically cover an overdraft for a smaller fee."

Also remember that the easiest way to avoid overdraft fees is to keep an up-to-date record of how much money is in your checking account, including recurring automatic payments, and know your balance before using your debit card or writing a check.

Would it be better to receive statements electronically or in the mail? Either way, to limit your potential losses in the event of a problem, such as a fraudulent transaction, promptly review your statements and report errors.

What should I do before moving my checking account? Consider keeping your old account open until you are sure that any electronic deposits or withdrawals have been processed and all the checks you wrote have cleared.

For more ideas for saving money on a checking account, go to www.mymoney.gov.

Saving Money on a Mortgage, From Start to Finish

For many consumers, their mortgage is their biggest expense. Here are tips — for prospective borrowers as well as current homeowners — on ways to save money on a mortgage.

Prospective Homeowners

Comparison shop for your loan and don't be afraid to try to negotiate the interest rate as well as the fees. Start by getting quotes from different lenders based on the Annual Percentage Rate (APR), which factors in the interest rate as well as certain other finance charges you have to pay to obtain your mortgage. Those costs include "points" paid to the lender (each point equals one percent of the loan amount), fees paid to mortgage brokers, and certain other charges expressed as a yearly rate.

However, not all closing costs are included in the APR. Common examples include fees for a property appraisal (typically paid to an independent contractor hired by the lender) and a title search (which can discover potential claims that others may make regarding the property, such as for unpaid home repairs or real estate taxes).

"Because closing costs that are not included in the APR can vary widely, consider comparing both the APR and the total dollar amount you would need to pay at closing," advised Luke W. Reynolds, Chief of the FDIC's Outreach and Program Development Section.

Understand which third-party settlement services you can shop for. Although lenders may require you to purchase certain services from a specific company (often the case with property appraisals), you may be able to use any company that meets the lender's approval for other services. And while some settlement services may be relatively inexpensive, others can be hundreds or thousands of dollars.

"Consider comparing the prices of several companies as far in advance of the closing as possible," Reynolds said. "That's so your lender has time to review and make arrangements with the company you want to use."

In particular, he said, carefully research your options for title insurance, which can protect the homebuyer from losses due to a flawed title search and other related claims. "Title insurance prices can vary considerably," Reynolds added. "Also be aware that there are different levels of title insurance protection. Compare the insurance packages from

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several companies and choose the coverage you want."

For guidance on how to shop for title insurance and avoid potential pitfalls, see tips from the National Association of Insurance Commissioners at www.naic.org/documents/consumer_alert_title_insurance.htm.

Finally, if you are buying a new home directly from a builder, don't automatically assume that you need to — or should — purchase your loan-related products from the builder's preferred providers. "Buyers often believe that they will get the best deals from the builder's settlement companies and lender, but the only way to be sure is by comparison shopping," said Ron Jauregui, an FDIC Community Affairs Specialist.

Current Homeowners

Determine whether you can save money by refinancing into a new, fixed-rate mortgage. Start by contacting your loan servicer (the company that collects your loan payments) to see if you can refinance your mortgage, preferably at little or no cost. Options may include the federal government's Home Affordable Refinance Program (www.makinghomeaffordable.gov), which is for borrowers who are not behind on their mortgage payments but could have trouble refinancing because the value of their home has declined.

"Keep in mind that a lender may offer to add closing costs to the balance of your new loan so that you don't have to pay them upfront, but it means you'll be paying more money in interest," Reynolds noted.

Regardless of how you refinance, look for a new loan that you would pay off at approximately the same time as your current mortgage. "A longer-term mortgage might lower your payments, but you could pay considerably more in interest," Reynolds noted.

He also suggested checking with a housing counseling agency approved by HUD, the U.S. Department of Housing and Urban Development (1-800-569-4287 or www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm), or an attorney before you refinance to make sure you won't lose any legal protections tied to your current mortgage. These safeguards could be especially useful if, in the future, you face the loss of your home because of payment problems. They include, for example, legal defenses against you being held responsible for the difference between the amount your home sells at a foreclosure auction and the balance of your loan.

Instead of refinancing, consider paying off your existing mortgage faster. You may be able to save tens of thousands of dollars in interest — depending on the amount of your loan and the interest rate — by paying a little extra toward your mortgage. For example, on a $100,000, 30-year mortgage with a 5 percent rate, sending in an extra $30 a month could pay off your loan more than three years ahead of schedule and save you more than $12,000 in interest. Ask your lender about different ways to pay off your mortgage early without paying additional fees or having to refinance.

Don't overpay for homeowner (hazard) insurance and property taxes. Being underinsured can be a costly mistake, but that doesn't mean you can't save money. For example, having the same insurer cover your home and your car may earn you a discount. Consider the rates that insurers offer you directly as well as what independent agents (who represent several different companies) can obtain. For more money-saving strategies, go to your state insurance commissioner's Web site (start at www.naic.org/state_web_map).

Also, review your property tax statement to make sure it accurately reflects the size and characteristics of your property. Find out if you are paying the lower tax rate that may be available for owner-occupants.

If you are having trouble making your mortgage payments, don't wait to seek help. Contact your loan servicer or a HUD-approved counselor, ideally before you miss a payment. And, if you're having trouble getting assistance from your servicer, new federal rules require your servicer to be more responsive to various customer complaints, "including providing accurate information to mortgage customers wanting to avoid foreclosure on their home," noted Sandra Barker, an FDIC Senior Policy Analyst.

If your mortgage servicer is not responding to your request for assistance, you can file a complaint with the CFPB at consumerfinance.gov/complaint.

For information about recent mortgage rule changes to protect consumers from risky mortgages and help borrowers better manage a home loan, see the Fall 2013 ***FDIC Consumer News*** (www.fdic.gov/consumers/consumer/news/cnfall13/mortgage_rules.html). And stay tuned for information on rule changes coming August 1, 2015, which will require key information about mortgage costs to be disclosed to loan applicants.

To learn more about home ownership and mortgages in general, go to www.mymoney.gov and consumerfinance.gov/mortgage.

Refinancing Loans: Not Just for Mortgages

Most people know they can refinance a mortgage — that is, replace an existing loan with a new one that may offer better terms. But did you know you also can refinance personal loans, including auto loans, credit cards and student loans?

"Refinancing a personal loan may save you money, especially if you get a lower interest rate, a lower monthly payment or other benefits," noted Susan Boenau, Chief of the FDIC's Consumer Affairs Section. "However, refinancing does not always equate to saving money or better terms."

Here are ways to see if refinancing makes sense for you.

Think about your goals. For example, if you want to simplify your life by consolidating multiple credit card accounts, most card lenders

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Safe Shopping, Buying and Paying: How to Protect Your Money

Criminals often try to steal money or commit fraud by targeting consumers as they are buying and paying for things or by obtaining valuable personal information from previous purchases. We have compiled simple ways to help you be as safe as possible.

When Shopping in Person

Provide only the information that you are comfortable giving. Be careful about sharing your Social Security number with a merchant. "A retailer may legitimately ask for your Social Security number and other personal information if you are applying for store credit, but that information is not needed for an ordinary sales transaction," said Michael Benardo, Chief of the FDIC's Cyber Fraud and Financial Crimes Section. "Giving personal information to a retailer when you're using a credit card is a voluntary decision. If you say 'no,' the worst that can happen is that you'll have to take your business elsewhere."

The Social Security Administration suggests that you "ask why your number is needed, how it will be used and what will happen if you refuse. The answers to these questions can help you decide if you want to give out your Social Security number."

Never "flash" your cash. When paying with dollar bills, keep large amounts of money concealed. You don't want to attract the attention of a thief.

Only carry the checks, credit cards, debit/ATM cards or cash that you plan to use. The more you take along, the more you risk having lost or stolen. Consider limiting the number of credit cards you own by canceling the ones you rarely use, but weigh the benefits of doing so against the possible lowering of your credit score, which could increase your future cost of credit. And keep your Social Security card in a safe place and not in your wallet.

When Shopping Online

Create "strong" PIN numbers and passwords and keep them secret. Numbers, letters and symbols can be combined to form a password that is tough for someone else to figure out. Don't write the PIN numbers in your wallet or use your birthdate or address, which can easily be determined if your wallet is stolen. While using the same password or PIN for several accounts can be tempting, doing so can put you at risk that a criminal who obtains one password or PIN can log in to other accounts.

Protect your computer. Install software that protects against "malware" (malicious software that can steal personal information, such as passwords or account numbers you've typed). Also use a firewall program to prevent unauthorized access to your PC. Protection options vary, and some are free. Once you've installed the software, set it to automatically update.

Be careful where and how you connect to the Internet. Whether you are shopping, banking or otherwise conducting financial transactions online, only access the Internet using a secure connection. "A public computer, such as at an Internet café, hotel business center, school computer lab, or public library is not necessarily secure. You never know if there is security software on these types of computers or if it is up-to-date," said Amber Holmes, a Financial Crimes Information Specialist with the FDIC. "They also may be infected with malware that may capture your credit or debit card numbers as you type them."

Also, don't use your own computer (including a tablet or smartphone) for shopping or banking if you are unsure about the wireless connection, as is the case with many free Wi-Fi networks at public "hotspots," like coffee shops. "It can be relatively easy for fraudsters to intercept the Internet traffic in these locations," Holmes explained.

In addition to a secure connection, you can have greater confidence that a Web site is authentic and that it encrypts (scrambles) your information during transmission by looking for a padlock symbol on the page and a Web address that starts with "https://." To learn about additional safety features, start with your Web browser's user

instructions. These precautions are not totally foolproof, as evidenced by the recent news about the "Heartbleed" Internet flaw, but they may still provide your best protection. And, be aware that the FDIC and other regulators directed financial institutions to review their security systems and make any needed upgrades as soon as the Heartbleed vulnerability became known.

Be suspicious of unsolicited e-mail offers that ask you to click on a link or download an attachment. It's easy for criminals to copy a reputable company or organization's logo into a fake e-mail. By complying with what appears to be a simple request, you may be installing malware. Your safest strategy is to ignore unsolicited requests for personal information, no matter how legitimate they may appear.

Take additional precautions with your tablet or smartphone before conducting online transactions. Consider opting for automatic updates for your device's operating system and "apps" (applications) when they become available to help reduce your vulnerability to software problems. Use a password or other security feature to restrict access in case your device is lost or stolen. And, beware of unsolicited offers and downloads that come via text message, e-mail or through social networking sites and apps.

To learn more about safe shopping and paying, including key points to remember when using debit, credit or prepaid cards (the latter may not provide the full range of federal consumer protections that apply to the other cards), see previous articles in ***FDIC Consumer News*** at www.fdic.gov/consumernews. And, watch the FDIC's multimedia presentation "Don't Be an Online Victim" at www.fdic.gov/consumers/consumer/guard/index.html. For ways to protect yourself from data breaches, see the next page.

Person-to-Person (P2P) Payments Online: What to Know Before You Click and Send That Money

When it comes time to pay the babysitter or reimburse a friend for lunch, most people use cash or write checks. But an increasing number of others instead turn to their computer or smartphone to make a person-to-person or "P2P" payment.

P2P payments can be convenient, but there are potential costs and risks, in areas such as the privacy of your personal information. ***FDIC Consumer News*** first introduced readers to P2P payments in 2011, and now we are offering our latest suggestions.

How a P2P service works: Banks and other companies offer different P2P payment services. Most share certain features: You establish an online account and designate one or more payment sources (such as your checking account, credit card or prepaid card) that you'll use to pay people. To send money to someone, you'll provide the recipient's information — in many cases, his or her e-mail address. To get money from someone, you may need to provide your bank account information or other details to the sender's P2P service provider.

"P2P payments may be convenient — for both the sender and the recipient — but if you or your recipient will have to jump through a lot of hoops to use it, that promise of convenience can suddenly fade," said Elizabeth Khalil, a Senior Policy Analyst at the FDIC.

Fees: There are numerous possibilities. Is there a fee to sign up? A fee to send money? A fee to receive money? Is there a single, fixed transaction fee for a service or is it calculated as a percentage of the transaction amount?

"Shop around to find a service with costs that seem reasonable," Khalil recommended. "And if you are the recipient and the fee to receive money seems high, don't be shy about telling the sender you would prefer to be paid another way."

Privacy: Be aware of the service's privacy practices and how your information — and that of your recipients — will be used. If you decide to use the service, set all available privacy settings to your preferences. Some services may, for example, share certain aspects of your transaction activity with other users, such as your social media "friends." If you don't want that to happen, evaluate whether the service's privacy settings allow you to turn off that feature. Because a P2P service provider's privacy practices can change, periodically check its policies and your privacy settings to ensure they still are set in the way you want.

Funds availability: Know when the money you send will be charged to your credit card or deducted from your account. Also be clear on when that money will be available to the recipient. "It may be quick to make a P2P payment, but that doesn't mean the recipient can access the funds right away," said Khalil. "When money is available can vary depending on which P2P service you're using."

Your rights and dispute resolution: Know what the service's user agreement says about resolving errors and disputes. For example, what will happen if the service pays the wrong person or the wrong amount? And, what if you caused the error by mistyping the recipient's e-mail address or the amount you wanted to send? That can easily happen, especially when you're typing on a small mobile phone.

"If the payment is drawn from your checking or savings account, or a credit card, you will have rights under federal law to have the error resolved," said Richard Schwartz, Counsel in the FDIC's Legal Division. "But if the payment comes from somewhere else, like funds you have on hold in

an account with the payment service provider, you might not have the same legal protections. Instead, you might have to rely on the service's own policies or perhaps state laws applicable to money transfers. In any case, find out what the service provider's user agreement says will happen if something goes wrong."

Bank or nonbank: "If you're interested in using P2P payments, ask your bank whether it offers the service. And if your bank doesn't, try other banks," Khalil said. "While a number of non-bank companies also offer P2P payments, there can be benefits to working with a bank, such as the opportunity to maintain a financial relationship and obtain other products and services at reasonable rates." another potential benefit is that funds held in your bank account are FDIC-insured, which may not be the case with a nonbank P2P account.

More About How to Protect Yourself From Data Breaches

In previous editions of ***FDIC Consumer News,*** we have discussed what you should know about data breaches, in which customers' credit or debit card information was stolen by cyber thieves who hacked into a business's computer systems. Because of ongoing media attention and consumer concerns, we have decided to remind you about our previous tips and add some new ones.

"While there isn't really anything consumers can do to prevent a breach, you can be on the lookout for signs that something like this has occurred," said Jeff Kopchik, a Senior Policy

Analyst with the FDIC. "And, if you receive formal notice from your bank or a retailer that your credit or debit card information was stolen as a result of a breach, there are steps you can take to protect yourself."

How can you avoid losing money due to a security breach?

Review your bank and credit card statements regularly to look for suspicious transactions. If you have online access to your bank and credit card accounts, it is a good idea to check them regularly, perhaps weekly, for transactions that aren't yours.

Contact your bank or credit card issuer immediately to report a problem. Debit card users in particular should promptly report a lost card or an unauthorized transaction. Unlike the federal protections for credit cards that cap losses from fraudulent charges at $50, your liability limit for a debit card could be up to $500, or more, if you don't notify your bank within two business days after discovering the loss or theft.

Periodically review your credit reports to make sure someone hasn't obtained credit in your name. By law, you can request a free copy of your credit report from each of the three major consumer reporting agencies (also known as credit bureaus) once every 12 months. Because their reports may differ, consider spreading out your requests during the year. To order a free report, go to www.AnnualCreditReport.com or call toll-free 1-877-322-8228.

If you find an unfamiliar account on your credit report, call the fraud department at the consumer reporting agency that produced it. If that account turns out to be fraudulent, consider asking for a "fraud alert" to be placed in your file at the three main credit bureaus. The alert tells lenders and other users of credit reports that you have been a victim of fraud and that they should verify any new accounts being opened in your name or changes to your existing accounts.

What if you place a fraud alert in your credit files and then you apply somewhere for a new credit card, mortgage or other loan? Expect that the lender will call you for a confirmation. However, be aware that the fraud alert also may slow down the process of obtaining that new credit while the lender verifies your identity.

An additional but more serious step is to place a "credit freeze" on your credit report, which means that the credit bureaus cannot provide your credit report to lenders who request it. That, in turn, may prevent criminals from obtaining credit in your name, but it also will stop you from getting new credit until you lift the freeze.

Pay attention to notices from your retailer or your bank about a security breach. In the event of a large-scale breach, you may receive notice that your credit card is being replaced with one that has a new account number.

Also, the retailer may offer you free credit-monitoring services, usually for up to one year. "This service provides an excellent way to see if a cyber thief is using the stolen information to apply for new credit cards or loans in your name," Kopchik said. "And if you are not offered free credit monitoring, you may want to consider buying it at your own expense." Note: A credit-monitoring service can be costly, so research the options thoroughly and understand that you can monitor your own credit reports for free, as previously described.

Be on guard against scams offering "help" after a data breach. Be very careful about responding to an unsolicited e-mail promoting credit monitoring services, since many of these offers are fraudulent. If you're interested in credit monitoring and it's not being offered for free by your retailer or bank, do your own independent research to find a reputable service.

For additional information about data breaches and protecting yourself, see an advisory from the Consumer Financial Protection Bureau at http://files.consumerfinance.gov/f/201401_cfpb_consumer- advisory_card-security.pdf.

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Refinancing

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allow you to transfer balances from other accounts for a fee. "Once you determine what you want to accomplish, you can make a better decision about whether refinancing is right for you," Boenau added.

Understand potential pitfalls. While you may be able to take advantage of promotional offers, such as introductory zero-percent interest or low Annual Percentage Rates (APRs), by transferring a balance and closing a credit card account, you also may have a higher APR than what you were originally paying when the promotional rate ends.

Closing a credit card account also reduces your available credit and may adversely affect your credit score, which lenders often use to determine your interest rate. To avoid a reduction in your credit score, consider keeping cards you have managed well for a long time.

A balance transfer also may result in your account having multiple interest rates (such as one for your "purchase balance" and one for your "transfer balance"), so know how your payments will be classified. For instance, if you only pay the minimum required each month, a creditor can generally apply that payment any way it chooses. This includes applying your minimum payment to lower-rate balances first, which means higher-rate balances will keep accruing higher interest costs. Depending on the circumstances, a large balance transfer also may trigger fees for going over your credit limit until you can bring the balance down.

Other examples include the following:

• You may be assessed a prepayment penalty if you refinance a loan before it matures.

• If you trade in a car loan for a new one with a longer repayment period, perhaps for five or more years, you may get lower monthly payments but you might not save money in the long run. "You'll likely end up paying more in total interest, plus your car's resale value may fall below what you owe on the loan," noted Frances Tam, an FDIC Senior Consumer Affairs Specialist. "Then when you want to sell or trade in your car, you may have to put in additional money to pay off the loan."

• While multiple federal student loans may be consolidated (combined into one loan with a single monthly payment), individual federal loans generally can only be refinanced (paid off and replaced with a new loan) through a private lender, and that could result in the loss of important federal benefits. "Understand the benefits you may be giving up, such as loan forgiveness for entering public service and income-based repayment options, before refinancing a federal student loan," warned Heather St. Germain, an FDIC Senior Consumer Affairs Specialist.

If your credit score is low, consider waiting to refinance until you can raise it. You can protect yourself by ordering a free copy of your credit report from each of the three major credit bureaus (visit www. AnnualCreditReport.com or call toll-free 1-877-322-8228) and correcting inaccurate information.

Also remember that, for purposes of improving your credit score, the most important things are to be financially responsible and to correct any errors in your credit reports.

For more tips on improving your credit report and score, see our article in the Fall 2011 ***FDIC Consumer News*** (www.fdic.gov/consumers/consumer/news/cnfall11/credit.html).