

# BANKING BASICS



## IS YOUR PIGGY BANK FULL?

Then it's time to visit Spectrum Credit Union (Spectrum)! But before you put your money in someone else's hands, let's talk about how a credit union operates.

### What is a Credit Union?

A credit union is a business that offers financial services, such as checking and savings accounts, certificates of deposit, Individual Retirement Accounts (IRAs), credit cards, and auto and home loans.

As a member, you actually own a share of the Credit Union; you get voting rights and can even run for the Credit Union Board. Some people join the Credit Union in search of a safe place to put their money. Others join the Credit Union to borrow money to buy a car, pay for college, or fix their house.

Where does the Credit Union get the money to lend? We get it from people who open deposit accounts and keep their money with us. We combine the savings of all of our members, then use that money to make loans.

### My credit union helps me...

- Access money quickly and easily, such as by writing checks, getting cash from an ATM, or cash back when I make a purchase at a store.
- Keep my money safe because it's insured against loss for up to \$250,000 per depositor.
- Borrow money for both my small and large purchases.
- Manage my finances with PC Access Online Banking, mobile banking, and an iPhone and Android app, so I can access my money anytime, anywhere.

CREDIT UNIONS OFFER FINANCIAL SERVICES, SUCH AS CHECKING AND SAVINGS ACCOUNTS, CERTIFICATES OF DEPOSIT, INDIVIDUAL RETIREMENT ACCOUNTS (IRAS), CREDIT CARDS, AND AUTO AND HOME LOANS.

# IS A CREDIT UNION THE SAME THING AS A BANK?

**Yes and no.** Credit unions and banks both offer financial services. However, a bank is a for-profit institution. Credit unions are not-for-profit, which means any money we make goes back to you, our members, in the form of higher dividends for your savings and lower interest rates on your loans.

## WHAT IS INTEREST, ANYWAY?

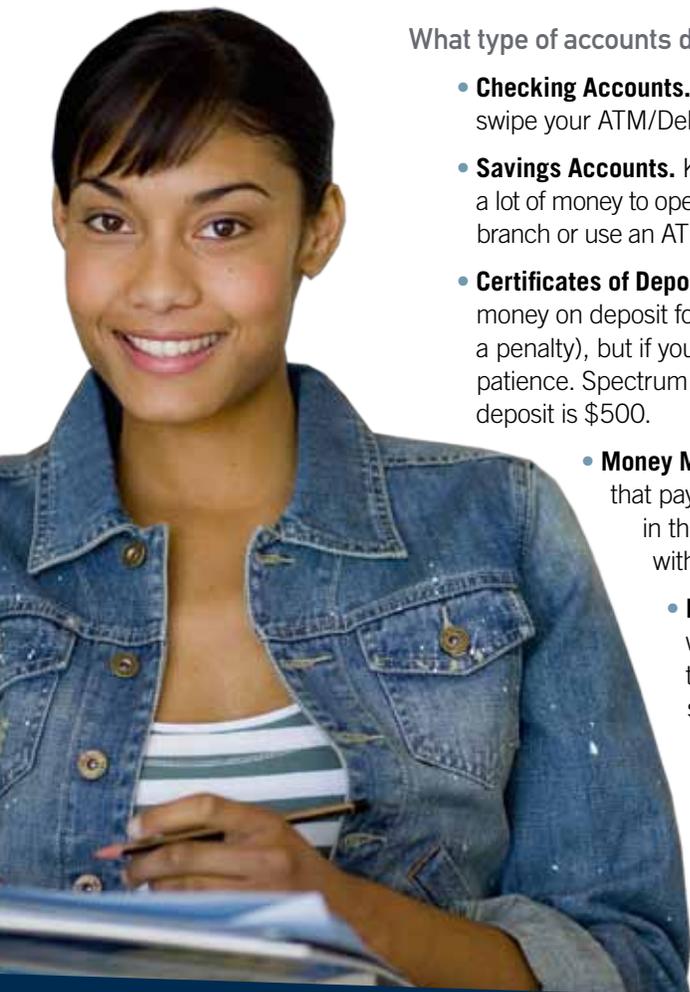
**Interest** is the fee you pay to borrow money. A **dividend** is the fee you earn for keeping your money deposited. The amount you earn over a specific period of time is referred to as the **yield**.

- You want to earn dividends or have a **high** yield on your savings accounts.
- You want to pay little or no interest or have a **low** interest rate on your loans.

### What type of accounts does Spectrum Credit Union offer?

- **Checking Accounts.** Instead of carrying around a lot of cash, you just have to write a check or swipe your ATM/Debit Card to pay for purchases.
- **Savings Accounts.** Keep your money safe and earn dividends at the same time! You don't need a lot of money to open a savings account, plus you can make unlimited withdrawals if you visit a branch or use an ATM.\*
- **Certificates of Deposit (CDs) aka Share Certificates** require you to keep a certain amount of money on deposit for a fixed period of time. You can't withdraw your money as easily (without a penalty), but if you don't need the money right away, you can earn a higher yield for your patience. Spectrum offers Share Certificates ranging from 3 months to 5 years and the minimum deposit is \$500.
- **Money Market Accounts (MMAs) aka MarketEdge Accounts** are savings accounts that pay a higher yield, but also require you to keep a certain amount of money in the account at all times. Like all savings accounts, you can make unlimited withdrawals if you visit a branch or use an ATM.\*
- **Individual Retirement Accounts (IRAs).** IRAs are basically savings accounts with big tax breaks so that you can save faster for your retirement. However, these accounts have restrictions based on your income and employment status, so talk to us to see what the best option is for you.

\*Federal regulations (Regulation D) limit the number of withdrawals you can make from your savings account to six per month by any other means.



SAVINGS ACCOUNTS: KEEP YOUR MONEY SAFE AND EARN DIVIDENDS AT THE SAME TIME!

# WHAT IS CREDIT?

**Credit means that a lender is willing to loan you money in exchange for your promise to repay it, usually with interest. The higher the interest rate, the more you pay for the loan, and ultimately the more you pay for your item. If you have good credit, your interest rate will be low... but if you have bad credit, your interest rate may be higher than you'd like.**

## What is "good" credit or "bad" credit, anyway?

What is your likelihood to pay back your loans, on time? If you make enough money to make your loan payments, have a history of paying your debts on time, and don't have a lot of debt, then you probably have "good" credit. But sometimes, you may not have enough money to make your loan payments on time, or you may give up and not pay them at all. This may cause you to have "bad" credit.

## What is a credit score?

There are three main credit bureaus – Equifax, Experian, and TransUnion – that assess your credit and give it a score on a scale from 300-850. Lenders use credit scores to evaluate your likelihood of paying back your loans. In general, credit scores higher than 680 are considered "good."

## What is a credit card?

When you use a credit card, you are actually taking out a loan, with the understanding that you will pay for your purchases later. If you pay off your balance each month, your credit card company won't charge you interest. If you don't pay off the balance every month, you'll be paying off what you spent over time plus an interest fee. Just remember, the more you spend, the harder it will be to pay off your balance.

## What is a Debit Card?

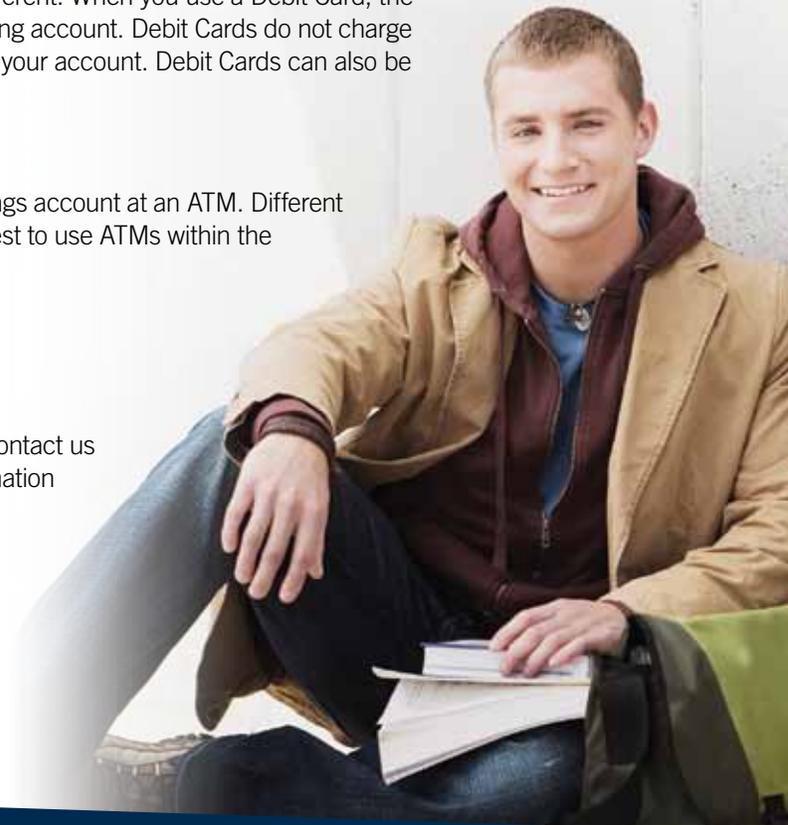
A Debit Card may look like a credit card, but it is actually very different. When you use a Debit Card, the amount of the purchase is automatically taken out of your checking account. Debit Cards do not charge interest for your purchases, since you already have the money in your account. Debit Cards can also be used as an ATM card.

## What is an Automated Teller Machine (ATM) card?

An ATM card allows you to get cash out of your checking or savings account at an ATM. Different fees may apply for using other institutions' ATMs so it's always best to use ATMs within the Credit Union network.

# HAVE MORE QUESTIONS?

Spectrum is committed to being your lifelong financial partner. Contact us at **800-782-8782** or stop by one of our branches for more information on any of our financial products. You can also visit our website at **[www.spectrumcu.org](http://www.spectrumcu.org)** for more financial education. (There are more than 76,000 in our network!)



IT TAKES TIME TO BUILD GOOD CREDIT BECAUSE LENDERS WILL LOOK AT YOUR CREDIT HISTORY.

# YOUR MONEY MATTERS

Learn More About Your Money Matters



SCAN WITH A SMARTPHONE  
TO FIND OUT MORE  
ABOUT YOUTH SERVICES.

Spectrum Credit Union  
P.O. Box 2069 | Oakland, CA 94604-2069



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