

*Testimony of*

Julie Cripe

*On Behalf of the*

AMERICAN **BANKERS** ASSOCIATION

EDUCATION FOUNDATION

*Before the*

Committee on Banking, Housing, and Urban Affairs

United States Senate

December 13, 2007



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Mr. Chairman and members of the Committee, my name is Julie Cripe and I am President and CEO of OmniBank, N.A. in Houston, Texas. OmniBank has roughly \$360 million in assets and has been in existence for 53 years. I am also the immediate past chairman of the American Bankers Association Education Foundation board. The Education Foundation is a non-profit subsidiary of the American Bankers Association (ABA). The American Bankers Association brings together banks of all sizes and charters into one association. ABA works to enhance the competitiveness of the nation's banking industry and strengthen America's economy and communities. Its members – the majority of which are banks with less than \$125 million in assets – represent over 95 percent of the industry's \$12.7 trillion in assets and employ over 2 million men and women.

Since 1925, the ABA Education Foundation has supported the banking industry's efforts to teach personal finance skills in schools and communities across the country. Through our two flagship annual programs – Teach Children to Save Day and Get Smart About Credit Day – more than 14,000 bankers took to the classrooms this year to teach personal finance skills to more than 556,000 children and young adults. The Foundation provides consumer booklets on budgeting, saving and credit, offers a web-based, interactive credit education program and publishes a financial education newsletter for children. All of these are published in English and Spanish.

I want to thank you Mr. Chairman for holding this timely hearing. The holidays can be a very joyous time, filled with generosity and giving. With simple steps to remain financially secure, the joy of the season will be remembered long after the bills come due in January. In my statement today, I'd like

to cover some holiday tips on good financial management. I have also included tips sheets on several subjects:

- Tips for Preparing a Holiday Budget
- Financial Safety Tips For Holiday Shopping
- Warning Signs of Financial Stress
- Gift Card Tips

Please feel free to reproduce these and use them whenever possible if you find that they would help your constituents make it through the holidays and avoid the financial frostbite in January when the bills come due. These can also be found on the ABA Education Foundation website – [www.aba.com/abaef](http://www.aba.com/abaef).

## **‘Tis the Season Not to Overspend**

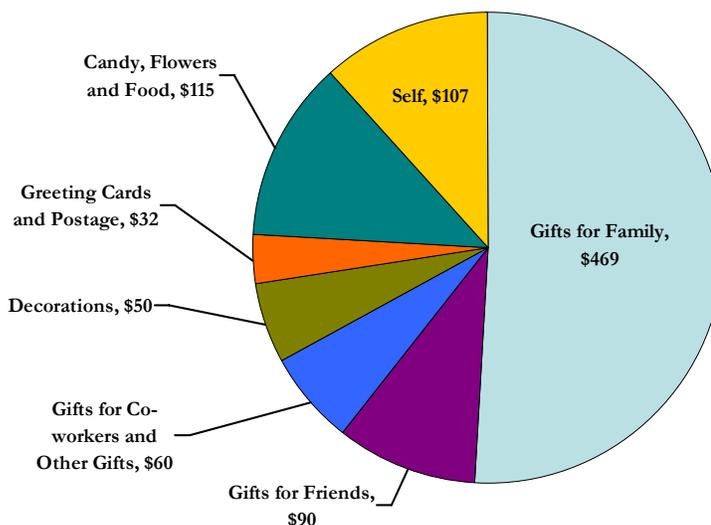
Here are five simple steps that can help consumers avoid a holiday spending hangover.

### ***Step 1 – Develop a Budget***

Careful budgeting is always a good idea, but it is particularly important during the holidays, when the spirit of giving collides with advertisements for mega-bargains. Being smart *and* realistic is the key. The National Retail Federation (NRF) estimates that U.S. consumers expect to spend an average of \$817 on holiday-related shopping this year. Nearly one of every four dollars of this (\$197) is expected to go to purchasing non-gift items, such as decorations, greeting cards and postage, candy, food and flowers. These are items often overlooked in budgeting, yet their costs can add up quickly. Travel expenses and charitable contributions should also be a part of any budget. Beyond the \$817 of holiday spending, NRF estimates that shoppers are also likely to see bargains that they cannot pass up,

amounting to \$106 dollars of additional spending, for a total holiday-spending dollar amount of \$923. Save your receipts from this year to help create a realistic budget for next year’s holiday season. Make budgeting a family affair and you will impart much needed financial education to your children.

### Holiday Spending Breakout, 2007



Source: National Retail Federation

#### ***Step 2 – Make a List and Check it Twice***

Impulse buying has a nasty way of ballooning expenditures. Thus, creating a gift list and sticking to it can be very helpful. Know what you want to buy for each person and how much you want to spend. It is also a good idea to limit the list to family and close friends. For those outside your list, send greeting cards or handwritten letters of appreciation. Home-baked goods or simple crafts are often less expensive and more appreciated than what you would buy at the mall or the big-box store.

#### ***Step 3 – Shop for Bargains***

With just a few weeks to go before Christmas, pressure builds to find gifts. Being rushed or under pressure can lead to overspending. Starting early and having time to comparison shop is the best idea, of course, but late in the season you can still re-evaluate your purchases to make sure that they are appropriate and within your budget.

#### ***Step 4 – Use Credit Wisely***

The balance on your credit card should never be a complete surprise when you open the statement in January. Keeping receipts and adding them up each week provides a reality check on

spending, helping you to stay within your budget and prevent any surprises next month. Paying for items in cash also helps to limit overspending. If you do use credit, it is a good idea only to carry a single credit card with the lowest interest rate. It is also a good idea to set a specific date by which you intend to pay off your holiday credit card bills. It often takes longer than people think to repay these expenses. A good rule of thumb is to charge only that amount that can be repaid within two months.

Identity thieves are always looking for ways to steal your personal information. So during the busy holidays don't forget to safeguard your personal information by tearing up or shredding any documents that link your name to account numbers; checking your accounts regularly for unauthorized transactions; never giving out your personal information online or on the phone unless you initiated the contact; and notifying your bank if you believe that your identity has been compromised.

### ***Step 5 – Plan for Next Year***

Planning ahead can make next year's holiday merrier and brighter. Saving some money every month for holiday gifts can ease the financial pressure felt in December and is also a good discipline for building up a reserve for emergencies or unexpected expenditures during the year. A savings account at your local bank is the perfect way to start saving. Many banks have a Christmas Club account in which the depositor gets a coupon book with which they make deposits each week or month. Saving just \$5 or \$10 per week adds up to between \$240 and \$480 for the whole year – plus the interest earned that money. This money allows for purchases in cash, rather than on credit. Besides the interest earned on the deposits, customers save by not paying interest had they used their credit card instead. I cannot emphasize enough the importance of savings, not only for holiday expenditures, but for all the little curves that life throws at us.

If you used your credit card during the holidays, paying the bills on time is very important, even if you cannot pay off the entire balance all at once. It avoids any late-payment fee and helps protect

your credit history and credit score. It is also important to check your credit card statement carefully for unauthorized charges and report such charges immediately to your bank or credit card company.

Financial stress in January and February can be difficult to manage. The most important thing to remember is to take action immediately if you are having trouble meeting your financial obligations. Ignoring the problem will only make things much worse. Banks are always willing to help people, but waiting too long to begin the conversation will limit the options that may be available. So call your lender first if you start having trouble managing your finances. Credit counseling services, such as the National Foundation for Credit Counseling, also provide valuable advice on managing debt. It is important to choose a reputable organization for counseling. Be wary of anyone who claims that they can “fix” your credit for you. Your local bank can be a source for counseling services in your area.

## **Seek Out Financial Education**

The holidays are not the only time to exercise good financial management. Learning about how to manage your money is something that will pay dividends throughout your life. Your local bank is typically a great source for financial education. Many banks have educational material on their websites. For example, at my bank, we have an entire section on our website devoted to financial education, which includes a financial e-Learning course, a self-paced interactive program that teaches teens and young adults how to use credit wisely.

At OmniBank, we also offer a PAWS Account for children under the age of 12. We believe that children are never too young to learn about managing money and this account is the perfect way to help them understand the importance of saving and budgeting – and to have fun doing it. The account only requires an opening \$5 deposit. Each time a child makes a deposit they earn PAWS points that can be used to purchase items from the Lion’s Den store located in our bank lobby.

The ABA Education Foundation is also a great source for financial education information. Our website – [www.aba.com/abaef](http://www.aba.com/abaef) – provides resources and tips for consumers on budgeting, establishing good savings habits, managing credit effectively, and protecting against identity theft and predatory lending scams. Each month we offer new consumer tips. Not surprisingly, in November we had two seasonal tip sheets on *Charitable Giving Ideas* and *Making a Holiday Budget for Gifts and Expenses*, and for December, we have a tip sheet called *Account for Your Spending: Keep Receipts and Data Secure*. The ABA Education Foundation also writes a *Money Talks* newsletter series that contains tips, practical advice, thought-provoking ideas and age-appropriate activities to bring money lessons alive for young children, tweens, teens and young adults.

We also have many resources for managing credit, such as *The Dos and Don'ts of Credit* and the *ABA Guide to Credit Cards* (both in English and Spanish). Because education on use of credit is so important, the ABA Education Foundation has a stand-alone website called *Get Smart About Credit* which can be found at [www.getsmartaboutcredit.com](http://www.getsmartaboutcredit.com). This provides tips and resources and also provides links to educational material on the websites of many of our member banks, and links to other organizations active in the financial literacy field. These resources provide a wealth of information for consumers in need of assistance.

The number of bankers involved and the number of students reached through our website and our annual Teach Children to Save and Get Smart About Credit programs by no means capture what the banking industry as a whole is doing. Indeed, bankers are reaching more and more people every day, teaching lessons on budgeting, credit and saving.

## **Four Consumer Tip Sheets for Good Holiday Budgeting and Spending**

As I mentioned above, I have attached four consumer tip pages that can be used in meetings or mailings – anywhere there is an opportunity to help educate consumers about budgeting and spending for the holidays. Please feel free to use these as you please for your constituents.

### **Conclusion**

There is no better time than during the holidays to get back to the basics of good money management. As bankers, we are in the fortunate position of helping other people make their dreams come true. Through the efforts of thousands of bankers every year and the work of the ABA Education Foundation, we hope to make a difference in helping people become more financially secure. All of us need to work together to produce and distribute financial education materials and sponsor outreach programs. Together we can make the holidays even brighter.

# Tips for Preparing a Holiday Budget

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- **Make a list, and check it twice.** Experts agree that it helps to write down a list of all the people for whom you plan to shop, before you hit the stores or turn on the computer. Next to each name write down what you want to buy for that person, and how much you want to spend. You get a clear idea of the numbers involved and know in advance how many gifts you need to purchase.
- **Shop for bargains** once you have an idea of what you're looking for, and for whom you are buying. In addition, if you are purchasing a number of items from the same online retailer, buying all the items together can cut down on shipping costs.
- **Curb impulse shopping and spending** — buy only what is on your list. If you've forgotten someone, add them to your holiday budget and, if necessary, adjust the amounts you spend on others so you keep the same total.
- **Make a plan for those other expenses.** Give some thought to how much you'll be spending during the holiday season on things other than gifts. Be sure to include in your budget the following: postage for cards and presents that need to be shipped; wrapping paper, bows, greeting cards and other supplies; decorations; food and drink for holiday meals (and don't forget to add more, if you will be feeding guests); and travel expenses.
- **Review your receipts and bills from last year.** This will give you an idea of the amount you actually spent and how long it took to pay for it all.
- **Save your holiday receipts from this year** and either total them daily or add them up two weeks before the actual holiday. Expenses add up fast during this busy season. Seeing your totals will provide you with a reality check as to how much more you can afford to spend.
- **Using credit during the holidays?** If so, take only the credit cards you will need and limit those to as few as possible. And be sure to check your credit card statements carefully for any unauthorized charges. Report such charges immediately to your financial institution or credit card company.
- **Give yourself a present** – save for next year.



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# Financial Safety Tips for Holiday Shopping

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**Safeguard your cash, credit cards, debit cards and personal information while shopping for the holidays. With identity theft and fraud on the rise, here are a few tips for financial safety.**

- Reconcile your statements each month and check for unauthorized transactions.
- Report any suspicious inquiries or unauthorized transactions to your bank immediately.
- Never give out your checking or credit card account number unless you initiated the call.
- Don't enter your credit card number on an Internet site unless it is a secured site with a lock symbol on the browser status bar and "https" in the address. These safeguards are not guarantees, but if they are missing, the site is definitely not secure.
- Tear up or shred pre-approved credit offers, receipts and other personal information that link your name to account numbers.
- Get copies of your credit report from the three major credit bureaus each year. Check that everything is accurate, the accounts are yours and that closed accounts are marked closed.

**When using a debit card or the automated teller machine (ATM), use these safety tips:**

- Have your card ready and be prepared to use the ATM immediately.
- Watch for any unusual "add-on" devices at ATM or point-of-sale locations. Crooks can use these skimming devices to steal account information. Do not use any card reader that looks bogus and report the machine to your bank.
- Be careful and mindful of who is around you at ATMs. "Shoulder surfers" can get your PIN number and gain access to your account, so shield the screen and keyboard.
- Put your cash away immediately and always take your receipt with you.
- If you must go alone, choose a well-lit area that is free of obstructions when using the ATM at night.
- If your card is lost or stolen, contact your bank as soon as possible. Never carry your PIN number in your wallet and never write your PIN number on your ATM card.



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# Warning Signs of Financial Stress

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**The following are warning signs of financial stress:**

- Making only the minimum payments month after month.
- Paying important payments (such as rent or mortgage) late.
- Using money from one lender to pay another.
- Using cash-advances to pay daily living expenses.
- Applying for or accepting new credit cards because the credit limits on your existing cards have been exhausted.
- Transferring balances to new accounts to avoid paying off debt.
- Running out of cash (often or always).

**If your finances are in stress, seek professional advice and counseling.**

- Talk to your local banker about managing your money and reducing debt. Your banker may also offer our Budgeting booklet to help you get on track.
- Contact the National Foundation for Credit Counseling for confidential advice at 1-800-388-2227 or visit [www.nfcc.org](http://www.nfcc.org) for a referral to an office near you.
- Remember that most creditors are almost always willing to work out alternate payment plans, especially in emergency situations such as job loss or major illness.
- Be wary of anyone who claims they can “fix” your credit for you. Some information may not be erased from credit reports. Use only reputable organizations as recommended by a trusted source.



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# Gift Card Tips

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- **Buy from Reputable Sources.** Only buy gift cards from reputable sources. Stay away from online auction sites which may have counterfeit or fraudulently-obtained cards.
- **Know What Fees May Apply.** Some gift cards don't have fees, but others do. Check the packaging for information on fees or look for a toll-free number or website with full information. Some fees may be paid in cash, but others deduct fees from the card.
- **Check for an Expiration Date.** Some gift cards expire. If your card does, you may not be able to use it after the expiration date. Find out whether the card can be reissued with a new expiration date, and what the fee would be for issuing a new card.
- **Carefully Examine the Card Before You Buy It.** Don't buy it if anything looks suspicious, like if protective stickers have been removed or the codes on the back of the card have been scratched off to reveal a PIN number.
- **Have the Store Cashier Scan the Gift Card You're Buying in Front of You.** This reflects the balance that you paid for and protects against crooks who substitute worthless cards for the cards you think you are buying.
- **Keep Original Receipt and Write Down Any Toll-Free Numbers.** Keep your original receipt if you need to verify the value of the card. Having the toll-free number that appears on the back of the card can be handy if your gift card is lost or doesn't work.
- **Never Disclose Private Information.** Never give your Social Security number, date of birth, or any other private information to anyone when you purchase a gift card. No reputable company will ever ask for this information.
- **Know Where the Gift Card Can Be Used.** A store gift card often can be used only at the store where it was purchased (or related stores). Some are used for purchases in selected malls. Other gift cards, like those with a connection to American Express, Discover, MasterCard or VISA, can typically be used wherever their credit cards are accepted. Some gift cards allow you to get cash at an ATM.



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