



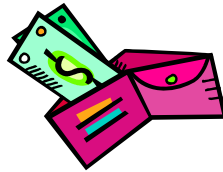
# Consumer Issues

Winter 2005

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## Strategies for Trimming Holiday Debt



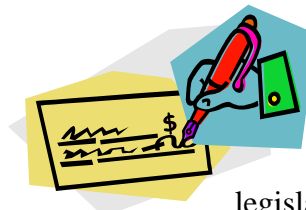
The holiday season is a time for family, friends, and the sharing of gifts. However, in your quest to find that perfect gift, perhaps you spent more than you planned and received a surprising credit card bill? Holiday credit card debt can often take months to pay off. When tackling holiday debt, establishing a game plan is important. First, determine the amount of debt owed from holiday spending. Second, stop using the credit cards, and focus on paying them off. Start by paying as much as you can afford each month. Stay away from the minimum payment trap, as this will significantly lengthen the pay off time. Third, if you have more than one credit card payment, work on paying off the card with the highest interest rate first. After that debt is retired, concentrate on the card with the next highest interest rate. In addition, reduce unnecessary expenditures for a few months while you are paying off your credit cards.

Once you have paid off that debt, develop a strategy for next year. Start shopping early and become a bargain hunter. Pay with cash or use a debit card. This will make you more aware of how much is being spent. If you don't have the money, don't make a purchase. This is a guaranteed strategy for staying out of debt during the holiday season.

### Inside this issue...

- ◆ *Strategies for Trimming Holiday Debt*
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## Check 21 and Your Checking Account



Just when you thought you had mastered the details of handling your checking account, new legislation has again created a “teachable moment” for consumers. Check Clearing for the 21<sup>st</sup> Century Act, commonly called Check 21, became effective on October 28, 2004. Several of the key details you should be aware of are below.

### What is Check 21 and what is its purpose?

Check 21 is a federal law created to help banks (credit unions) handle more checks electronically and thereby decrease the cost of transporting paper checks. Check 21 will make check processing faster and more efficient. Currently, when you write a check, the check is sent from the payee's bank (the company you wrote the check to) to a central check clearinghouse (usually a Federal Reserve Bank) and then to your bank. (The central clearinghouse is avoided if the payee's bank and your bank are the same.) If you have an account that returns cancelled checks, the processed paper checks are collected and returned to you each statement period. Under Check 21 guidelines, banks can take a picture of the front and back of your paper check and transmit payment information electronically. If the customer requires a paper check, the bank can use the electronic picture and payment information to create a paper “substitute check.” Thus, your original paper check may no longer be physically transported from the payee's bank, to a central clearinghouse, to your bank, and back to you.

*(continued on page 2)*

## What is a “substitute check?”

A substitute check is a paper copy of the back and front of your original check. Because it is a picture of your check, the paper containing the substitute check might be slightly larger than the original check. The statement **“This is a legal copy of your check.”** will be included on the substitute check. Substitute checks can be used as proof of payment.



*Front view of a substitute check*



*Back view of a substitute check*

## How will Check 21 impact consumers?

You will not get back some or all of your original checks because they will not be returned to your bank. In addition, checks will be processed faster. Therefore, write checks only if you have enough money in the bank to cover them on the day you write the check.

### Suggested consumer actions.

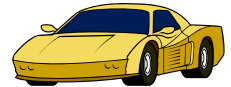
- **Read** the Check 21 disclosure that arrived with your checking account statement. Banks are required to provide a disclosure statement to customers who receive canceled checks with monthly statements no later than the first statement mailing after October 28, 2004.
- After reading the disclosure statement, contact your bank to clarify any questions you have about Check 21. Make written notes of your conversation and file it for reference.
- If you do not receive canceled checks with your monthly checking account statements and need a copy of a check for some reason, be sure to request a “substitute check”. Substitute checks are the legal equivalent of the original paper check.
- Understand the difference between an image of your check and a substitute check. Check

images are not governed by the Check 21 regulations. Image statements show multiple checks on a single page and they are usually much smaller than the original check.

- Understand how “expedited recrediting” works in case of improper payment. Under Check 21, if you receive a substitute check you can make an expedited recredit claim if a substitute check was improperly charged to your account. Banks generally have 10 business days after a consumer complains to recredit the consumer’s account for amounts up to \$2,500 per check pending completion of an investigation. Exceptions are made for new accounts, accounts repeatedly withdrawn, and suspicion of fraud.
- Evaluate your checking account needs. Perhaps a new account that was not available when you opened your current account might better suit your needs.
- Use duplicate checks to help you maintain a record of checks you write if your canceled checks are not returned from your bank.
- As a precaution, link your checking account to a savings account which authorizes the bank to transfer funds from your savings to your checking account. If you write a check for more money than is in your checking account, the bank will transfer the needed amount from your savings to your checking for a small fee (e.g. \$5). This fee is much lower than bounced check fees.
- Pay attention to your checking account statements during the next few months as Check 21 is implemented. As with most new processes, there may be a few unanticipated wrinkles or problems. If you are aware of problems as they occur, you can usually resolve them faster.

## Renting a Car in Pennsylvania

Renting a car is a common occurrence often associated with vacations. However, have you ever been forced to rent a car for other reasons? Imagine your car has broken down and you need to rent a car. Further complicating the matter is the fact that you are under age 25. The majority of the rental car companies within Pennsylvania will rent to drivers that are under the age of 25, but an extra fee is charged per day during the rental period. Age requirements vary per state and the extra fees vary from city to city--a fact that rental car companies do not publicize well. Listed on page 3 are the companies and the requirements for renting a car within Pennsylvania.



MAJOR CAR RENTAL COMPANIES	AGE REQUIREMENTS AND EXTRA FEES	VALID DRIVERS LICENSE AND MAJOR CREDIT CARD
Hertz Car Rental 1-800-654-3131; www.hertz.com	Minimum requirement 25	Yes
Budget Car Rental 1-800-214-6094; www.budget.com	Minimum requirement 21, under 25 fees range from \$10-15 per day	Yes
National Car Rental 1-800-468-3334; www.nationalcar.com	Minimum requirement 21, under 25 fees \$25 per day at all locations	Yes
Thrifty Car Rental 1-800-847-4389; www.thrifty.com	Minimum requirement 21, under 25 fees range from \$7-25 per day	Yes
Dollar Car Rental 1-800-800-3665; www.dollar.com	Minimum requirement 21, under 25 fees range from \$20-30 per day	Yes
Enterprise Rent-a-Car 1-800-261-7331; www.enterprise.com	Minimum requirement 21, under 25, no charge	Yes
Alamo Car Rental 1-800- 462-5266; www.alamo.com	Minimum requirement 25	Yes
Advantage Rent-a-Car 1-800-777-5524; www.arac.com	Minimum requirement 21, under 25 fees \$15 per day	Yes
Avis Car Rental 1-800-230-4898; www.avis.com	Minimum requirement 25	Yes



## Tips for Improving Fuel Efficiency

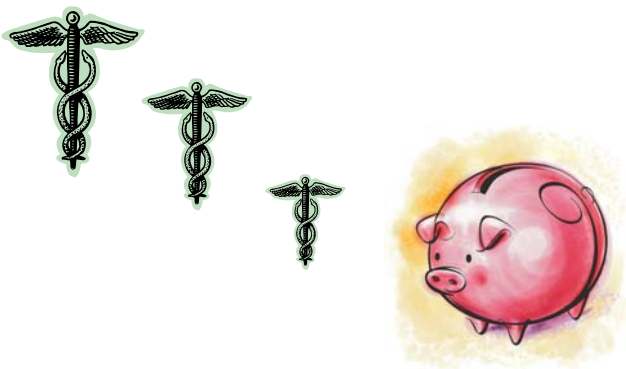


Gas prices are rising at levels never seen before. Today's newer vehicles are more efficient; however, basic maintenance and care for all vehicles can increase gas mileage. The United States Department of Energy and Environmental Protection Agency (DOE/EPA) have suggested simple tips to ease the shock of soaring gas prices. DOE/EPA suggests curbing aggressive driving such as rapid acceleration (i.e. "flooring it"), speeding, and rapid braking, as these actions require more gas. During highway driving, use cruise control or use overdrive gears. This will allow you to maintain constant speeds and reduce engine speeds, ultimately saving fuel. Proper maintenance also increases the longevity of your vehicle and can save as much as \$.60 per gallon of gas. Activities like engine tune-ups, replacing air filters, using the proper grade of motor oil, and checking tire pressure can make your vehicle more fuel efficient.

Kelley Blue Book suggests buying gas in the morning (usually the coolest time of day) because gas is most dense when it is cold. Since consumers pay for gas by volume, the cooler temperatures allow for less evaporation, thereby reducing the amount of gas needed to fill the tank. In addition, using the lowest grade of gasoline will save money. Another strategy for commuters is to car pool or avoid traveling at peak hours. When traveling on vacations, a car with a loaded roof rack can reduce your fuel efficiency by 5 percent. For more details regarding this topic, visit <http://www.fueleconomy.gov/>.

Tips for Savings	Percent Fuel Savings	Gasoline Savings
Sensible driving	5-33%	\$.07-\$.49/gallon
Observing the speed limit	7-23%	\$.10-\$.34/gallon
Properly tuned vehicle	4-40%	\$.06-\$.60/gallon
Replacement of air filter	up to 10%	up to \$.15/gallon
Tire pressure	up to 3%	up to \$.05/gallon
Proper motor oil	1-2%	\$.01-\$.03/gallon

Source: Fueleconomy.gov, retrieved October 13, 2004 from <http://www.fueleconomy.gov/feg/drive.shtml>.



## Health Savings Account

Health Savings Accounts (HSAs) are tax free accounts designed to help individuals save for qualified medical expenses they, their spouse, or their dependents have. HSAs are relatively new as the law creating them became effective January 1, 2004. HSAs are open to individuals who are covered by a high deductible health insurance plan (HDHP). In 2005, the annual deductible must be at least \$1050 for individual coverage and at least \$2100 for family coverage. (This number will change each year with indexing for inflation.) Individual contributions to the HSA are deductible, even if the taxpayer does not itemize deductions. In addition, the interest and investment earnings generated by the account are not taxable while they are in the account. Also, amounts withdrawn are not taxable if used to pay for qualified medical

expenses. Examples of qualified medical expenses include health insurance premiums, prescriptions, and co-payments for medical services. Furthermore, if you are unemployed for a period, money in the HSA can be used to pay for the aforementioned items as well as over the counter drugs and long term care insurance. Money in a HSA account can be rolled over each year until age 65. After age 65, money in the account can be used to pay for certain health expenses, to pay for insurance premiums like Medicare Part A&B, Medicare HMO, and the employees share of retiree medical insurance premiums.

Sources: <http://www.treas.gov/offices/public-affairs/hsa/resources.shtml> (click on HSA Basics)  
<http://www.opm.gov/hsa/chart.asp>

*“Anybody who thinks money is everything has never been sick.”*



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<http://consumerissues.cas.psu.edu/newsletter.html>

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