CREDIT
THE HOW TO AND HOW NOT TO!

WHAT IS CREDIT?
- Money, goods or services provided to an individual in lieu of payment
- BUY NOW, PAY LATER
- Credit is simply your ability to borrow money.

The Four C's of Credit

Character – Will you repay the debt?
- From your credit history, are you reliable in paying back stores?
- Are you in bankruptcy?

Capital – What if you don’t repay the debt?
- Do you have any assets (real estate, investments, savings) to repay debts if your income becomes unavailable?
- Do you own property to secure a loan? Do you have a savings account? Investments as collateral?

Capacity – Can you repay the debt?
- Have you been working regularly in an occupation that can provide enough income to support your debt use?
- Are you a steady earner? How many dependents do you have? How many other income payments do you pay?

Collateral – Do you have something lenders can take and sell?
How to build credit

- Establish a steady work record
- Pay all bills promptly
- Open a checking account and don’t bounce checks!
- Open a savings account and make regular deposits
- Apply for a low-limit local store credit card and make regular monthly payments
- Apply for a small loan using your savings account as collateral and make regular monthly payments

CREDIT SCORE

A numeric value that is applied to your credit history by a credit reporting agency.
aka: FICO SCORE 300-850

Your score is based on several factors:
1. Whether or not you pay your bills on time
2. How much you owe on your accounts
3. Number of credit cards and balances
4. Requesting for new credit every time

Types of Credit

- Open-End/Revolving
  - Does not have a fixed number of payments
- Closed-End/Installment
  - Has a fixed number of payments
- Unsecured
  - Monetary loans that are not secured against the borrower’s assets.
- Secured
  - Loan in which the borrower pledges some asset (e.g. a car or property) as collateral for the loan.
- Mortgages are very common types of secured loans
Things to consider when choosing credit

- Type of Account
- Interest / Annual Percentage Rate (APR)
- Late Fees
- Other Fees
- Annual Fee
- Grace Period
- Credit Limit
- Minimum Monthly Payment
- Finance Charge Calculation Method
- Bonuses/Miles

"Buy what you NEED, not what you want."

CREDIT BENEFITS

RESPONSIBILITY:
That's the key!

- Access to Cash in an emergency
- The ability to use now
- Creates a record of purchases
- Safety and convenience
- Consolidates bills into one payment
- Earn bonus points or miles

www.cardratings.com

CONSEQUENCES OF BEING IRRESPONSIBLE

- You may be denied other credit
- Pay high interest rates
- Difficulty in renting an apartment
- Denied employment
- Application for admissions in college
- Higher insurance premiums
- Large deposit requirement
### The impact of your credit score on buying a car

<table>
<thead>
<tr>
<th>Sale Price</th>
<th>Interest Rate</th>
<th>Monthly Payment</th>
<th>Interest Amount</th>
<th>Total paid after 72 months (6 years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000</td>
<td>8.00%</td>
<td>$179.49</td>
<td>$2130.09</td>
<td>$12130.22</td>
</tr>
<tr>
<td>$10,000</td>
<td>12.00%</td>
<td>$212.26</td>
<td>$4476.47</td>
<td>$14476.47</td>
</tr>
<tr>
<td>$10,000</td>
<td>20.00%</td>
<td>$260.92</td>
<td>$7982.99</td>
<td>$17982.99</td>
</tr>
</tbody>
</table>

### How long will your credit card take to pay off?

If you make the minimum monthly payment of 2% of the outstanding balance or a payment of $20, whichever is greater:

<table>
<thead>
<tr>
<th>Card Balance</th>
<th>12%</th>
<th>14%</th>
<th>16%</th>
<th>18%</th>
<th>20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment</td>
<td>2%</td>
<td>2.8%</td>
<td>3.5%</td>
<td>4%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Years</td>
<td>5</td>
<td>3.5</td>
<td>2.5</td>
<td>2</td>
<td>1.5</td>
</tr>
</tbody>
</table>

If you pay an additional $10 over the minimum monthly payment of 2% of the outstanding balance or $20, whichever is greater:

<table>
<thead>
<tr>
<th>Card Balance</th>
<th>12%</th>
<th>14%</th>
<th>16%</th>
<th>18%</th>
<th>20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment</td>
<td>2.6%</td>
<td>3.4%</td>
<td>4%</td>
<td>4.6%</td>
<td>5%</td>
</tr>
<tr>
<td>Years</td>
<td>4.5</td>
<td>3</td>
<td>2.5</td>
<td>2</td>
<td>1.5</td>
</tr>
</tbody>
</table>

### CREDIT REPORTS

**CREDIT REPORT:** A record of your personal financial history. Lenders use this report to determine whether they will loan you money and at what rate.

- Your credit report contains information on:
  - Loans you’ve applied for
  - Loan amounts you received
  - Whether or not you paid your bills on time

Negative information can stay on your report for 7 years and Bankruptcy for 10 years.
Credit Reporting Agencies
www.annualcreditreport.com
Or: 877.932.0222
EQUIFAX: 800.688.1111
www.equifax.com
EXPERIAN: 888.397.3742
www.experian.com
TRANS UNION: 800.688.4213
www.transunion.com

THANK YOU!
QUESTIONS?
Loan of **18,000.00** from **06/03/2009** at an Annual Percentage Rate of **6.440%**. Payment of **266.81** paid monthly.

<table>
<thead>
<tr>
<th>Loan Amount</th>
<th>18,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Date</td>
<td>06/03/2009</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>6.440%</td>
</tr>
<tr>
<td>Payment Count</td>
<td>84</td>
</tr>
<tr>
<td>Standard Payment</td>
<td>266.81</td>
</tr>
<tr>
<td>First Payment Date</td>
<td>07/03/2009</td>
</tr>
<tr>
<td>Final Payment</td>
<td>266.78</td>
</tr>
<tr>
<td>Final Payment Date</td>
<td>06/03/2016</td>
</tr>
<tr>
<td>Total Interest</td>
<td>4,412.01</td>
</tr>
<tr>
<td>Total of Payments</td>
<td>22,412.01</td>
</tr>
</tbody>
</table>
Loan of **18,000.00** from **06/03/2009** at an Annual Percentage Rate of **5.640%**.

Payment of **345.03** paid **monthly**.

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Amount:</td>
<td>18,000.00</td>
</tr>
<tr>
<td>Loan Date:</td>
<td>06/03/2009</td>
</tr>
<tr>
<td>Interest Rate:</td>
<td>5.640%</td>
</tr>
<tr>
<td>Payment Count:</td>
<td>60</td>
</tr>
<tr>
<td>Standard Payment:</td>
<td>345.03</td>
</tr>
<tr>
<td>First Payment Date:</td>
<td>07/03/2009</td>
</tr>
<tr>
<td>Final Payment:</td>
<td>344.58</td>
</tr>
<tr>
<td>Final Payment Date:</td>
<td>06/03/2014</td>
</tr>
<tr>
<td>Total Interest:</td>
<td>2,701.35</td>
</tr>
<tr>
<td>Total of Payments:</td>
<td>20,701.35</td>
</tr>
</tbody>
</table>

**A+ Credit**
Loan of $18,000.00 from 06/03/2009 at an Annual Percentage Rate of 15.240%. Payment of 430.61 paid monthly.

Loan Amount: $18,000.00
Loan Date: 06/03/2009
Interest Rate: 15.240%

Payment Count: 60
Standard Payment: 430.61
First Payment Date: 07/03/2009
Final Payment: 430.46
Final Payment Date: 06/03/2014

Total Interest: 7,836.45
Total of Payments: 25,836.45

© credit