Can you afford it and how will you pay?
Seminar Objectives

Understanding Credit
- The Meaning of Credit
- Types of Credit
- Pros and Cons of Credit
- Deciding When to Use Credit

Qualifying for Credit
- What Lenders Consider
- Credit Reporting & Rating
- Establishing Credit
- Maintaining Good Credit

Managing Credit
- Credit Cards
- Loans

Handling Debt Problems
- Dangers of Excessive Debt
- How to Avoid Excessive Debt
What is your attitude about Credit?

Take a few minutes on the following survey...

Does this give you an idea of how ready you are?
What is credit?

Credit is borrowed money that you can use to purchase goods and services when you need them. You get credit from a credit grantor, whom you agree to pay back the amount you spent, plus applicable finance charges, at an agreed-upon time.
4 Types of Credit

- **Revolving Credit**
  - Charge Cards/Accounts

- **Installment Credit**
  - Service Contracts
How will you handle credit?

Though there are no guarantees, this next survey may give you some insight as to how CREDIT READY you might be.
Advantages and Disadvantages of Credit

ADVANTAGES:

- Convenient
- Immediate purchasing power
- No need for cash
- Bills can be consolidated

DISADVANTAGES:

- It’s a loan
- Interest rate may go up
- May include additional fees
- Can be easy to overspend
- Can promote impulse buying
Why is good credit so important?

It has an impact on many areas in your everyday life.
Who needs to build good credit?

- Recent immigrants
- Women
- High-school grads
- College students
- Young adults
- Anyone needing to get “back on track”
Credit Reporting Agencies

888-397-3742
800-916-8800
866-349-5191

AnnualCreditReport.com
What’s in a credit report?

- Identifying information
- Job history
- Creditors; payment history
- Legal actions
- Inquiries you initiated
What about errors?

What are your rights if you think there is a mistake on your credit report?

1. Write to credit bureau

2. Bureau has 30 days to:
   Investigate, notify you of results, and delete inaccuracies.

3. Disagree?
   Write “dispute statement” or “reason for excuse” explanation for your file.
How is your FICO Score determined?

30% Amounts Owed
35% Payment History
10% New Credit
15% Length of Credit History
10% Credit Mix
How do you rank with your credit score?

- **<500**: 2% of Population
- **500-549**: 5% of Population
- **550-599**: 8% of Population
- **600-649**: 12% of Population
- **650-699**: 15% of Population
- **700-749**: 18% of Population
- **750-799**: 27% of Population
- **800-850**: 13% of Population
What if you are part of the following groups and don’t have much credit history?

- Recent immigrants
- Students
- Young adults
- Recently divorced

FICO Expansion Score Considers:

- Your financial institution
- Payday lenders
- Rent-to-own stores
- Companies that monitor consumers use regularly bounce checks
Is FICO the only company to score “Creditworthiness”?

Some new scoring companies may look at:

- Payment history on utility and cell phone bills.
- Information like address history, that’s part of the public record

The new score is still in its pilot phase.
Who can look at your credit score?

- Lenders
- Landlords
- Insurance companies
- Potential employers
How do you establish credit?

- Open a credit union savings or checking account
- Put utilities, rent in your name
- A local department store or gas card
- Get a co-signer for a small personal loan
- Offer large down payment
- Apply for a secured credit card
What else do creditors consider?

The 3 C’s of Credit:

• **Character**
  
  From your credit history, a lender may decide whether you possess the honesty and reliability to repay a debt.

• **Capital**
  
  A lender will want to know if you have valuable assets such as real estate, personal property, investments, or savings with which to repay debt if income is unavailable.

• **Capacity**
  
  This refers to your ability to repay the debt. The lender will look to see if you have been working regularly in an occupation that is likely to provide enough income to support your credit use.
Dear Credit Bureau,

I just had my credit run for a credit card and was denied. The lender said Experian was used to check my credit and I am entitled to a copy of my credit report. How do I get this?
How do you maintain good credit?

- Create a spending plan and live within it
- Provide complete, accurate and consistent ID on your applications
- Pay your bills on time, all of the time
- Have some credit, but not too much
- Have a mixture of credit types
- Keep credit card balances low
- Use caution when closing accounts
- Be aware of your debt-to-income ratio
- Demonstrate stability
- Contact lenders if you fall behind on payments
Managing Credit
What to look for when applying for your first credit card

- Low interest rates
- Rewards programs
- No annual fee
- Reasonable limits
What to look for in a credit card

You’ll pay a higher APR for cash advances than you do for purchases.

Use the APR to help you compare the cost of different credit cards.

All of these fees are on top of any interest you might pay.

Annual Fees occur whether or not you use your card.
Credit Card Accountability Responsibility And Disclosure Act of 2009

- Student Cards
- Payment Due Dates
- Minimum Payments
- Notification
- Interest Rates
- Over the Limit Fees

CARD Act
Watch out for the fine print when you apply for a credit card

- Late Payment Fee
- Over the Limit Fee
- Balance Transfer Fee
- Replacement Card Fee
- Cash Advance Fees
How to find the best loan for you

• Calculate how much you need
• Check your credit report and score
• Shop for rates and requirements from your credit union
• Ask about interest rates
• Pick your best option
Dangers of Excessive Debt

- Inability to keep up with your everyday expenses
- Stress over your financial worries
- Damage to your credit history
- Inability to save for the future
How can you avoid excessive debt?

1. Be aware of the warning signs
2. Save money in an emergency fund
3. Avoid financial mistakes in the first place
High-Interest Debt Consolidation

Watch out for:

- Pay Day Loans
- Credit Repair “Clinics”
- Pawn Shops
Focus on:

1. Staying out of debt
2. Self-discipline
3. Working with creditors
4. Continuing to educate yourself
Remember...

Your Credit Union can help you with all of your financial challenges.