Understanding Credit
Having an Attitude About Credit

Everybody has an attitude about credit. What's yours? Put an X in the column that best describes your opinions. Then, check the statement that best describes your attitude.

1. It's always better to pay cash than use credit. □ Strongly Agree □ Agree □ Disagree □ Strongly Disagree
2. Everyone should be able to get as much credit as possible. □ □ □ □
3. It's very convenient to use credit. □ □ □ □
4. People spend more money when they buy on credit. □ □ □ □
5. Cash in hand is more valuable than credit. □ □ □ □
6. It's smart to use credit to make a major purchase, like a car. □ □ □ □
7. If you use credit today, you might not have the credit you need in the future. □ □ □ □
8. People get opinions about credit from their friends' and families' experiences. □ □ □ □
9. Credit cards really come in handy when traveling. □ □ □ □
10. People my age have too much credit available to them. □ □ □ □
11. Using credit costs plenty. □ □ □ □
12. Some types of credit cost more than other types. □ □ □ □

In general, my attitude about credit is:

☐ Very positive. I think credit is useful and valuable.

☐ So-so. I think credit can be good but also bad.

☐ Mostly negative. I think credit can cause big problems.

☐ No opinion. I hadn't really thought about credit before.
Understanding Credit
Credit: How Would You Handle It?

The way you use money can give you clues about how you might use credit. Take this quick quiz to test your own CREDIT READY SKILLS.

1. Your aunt gives you $50 for your birthday, would you...
   a. Put it in your savings account
   b. Buy yourself something you need
   c. Consider it extra spending money
   d. Treat yourself to a night out

2. If you got a new job, would you...
   a. Open a savings account immediately
   b. Wait until your first paycheck and then decide what to do
   c. Make a plan to pay off your bills
   d. Start shopping for a new cell phone

3. When you owe somebody money, do you feel...
   a. Uncomfortable until it’s all paid off
   b. Aware of the debt, but not uncomfortable about it
   c. Interested in paying it off as soon as it was convenient
   d. Willing to pay, but not in a hurry

4. If your best friend asked to borrow $50 from you, would you...
   a. Lend it but only in the case of an emergency
   b. Be happy to lend it
   c. Be willing to lend it but want to know when you would be paid back
   d. Not be willing to lend it

5. When you buy something, do you...
   a. Have to be sure of all the details beforehand
   b. Ask some questions but not too many
   c. Listen to what the salesperson tells you
   d. Assume everything will be ok

6. If a bill is due on the 1st of the month, would you make the payment...
   a. At least 10 days in advance
   b. Around 5 days in advance
   c. On the due date
   d. When you had the money

7. How often do you buy on impulse?
   a. Never
   b. Very rarely
   c. Sometimes
   d. Almost always

8. If you had a credit card and owed $100 and had the cash to pay, would you...
   a. Pay the bill in full
   b. Pay $50 and keep the rest for spending
   c. Pay $25 and put the rest in savings
   d. Pay the minimum of $10 and use the rest for other bills

9. If you had a credit card and were shopping for something, would you...
   a. Consider the price, cost of credit and quality of the item
   b. Just shop for the best price
   c. Buy the best quality regardless of price
   d. Buy what you want even if it’s expensive

10. If you have $20 in your pocket, do you...
    a. Hang onto it no matter what
    b. Spend it but only if you must
    c. Spend it but on something you really want
    d. Spend it on just about anything

Are you credit ready? Each A is worth 5, each B is 3, each C is 2 and each D is 1. If your score is:

45-50 You’re a Financial Wizard. Money smart and credit conscious.
30-44 You’re a Smart Shopper. Clever about money but you could be more sensitive about credit costs.
19-29 You’re a Casual Consumer. Too relaxed about price and credit terms for your own good. There could be trouble ahead.
1-18 You’re a Big Spender. Love to buy but not savvy about getting the best value. Handling credit could be a real crisis. Caution.

Handout 2: Credit: How Would You Handle It?
Understanding Credit
The 3 C’s of Credit

Character, Capital and Capacity

**Character:** From your credit history, the lender attempts to determine if you possess the honesty and reliability to repay the debt.

**Capital:** The lender may want to know if you have any assets such as real estate or personal property like an automobile, home, savings or investment that could serve as collateral if you fail to repay.

**Capacity:** Refers to your ability to repay your debts. The lender may look to see that you are working regularly in an occupation that is likely to pay enough income to pay for your credit use.

Indicate which of the three C’s would be related to the following questions that a creditor might ask.

<table>
<thead>
<tr>
<th>Question</th>
<th>Which of the 3 C’s?</th>
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<tbody>
<tr>
<td>1. Do you have a steady job? If so, what’s your salary?</td>
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<td>2. Do you have a savings account?</td>
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<td>3. Have you used credit before?</td>
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<td>4. Do you pay your bills on time?</td>
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<td>5. What are your current living expenses?</td>
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<td>6. Can you provide character references?</td>
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<td>7. What are your current debts?</td>
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<td>8. What property do you own?</td>
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<td>9. Do you have a good credit report?</td>
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<td>10. How long have you been at your current job?</td>
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<td>11. How many other loan payments do you have?</td>
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<td>12. Do you have any investments?</td>
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<td>13. How many dependents do you have?</td>
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Understanding Credit
How to Get the Worst Credit Score Ever

Here are 5 ways to ensure you’re doing serious damage to your finances -- plus more tips for ruining your life.

Your credit score can range from 300 to 850—the higher, the better. Most articles about credit scores focus on how you can improve your score to get approved for loans and get the best possible interest rates from lenders. But here, we’re going to take the opposite approach and tell you how to achieve the worst credit score ever. If any of these behaviors apply to you, watch out—you’re in the process of doing some serious damage to your financial reputation.

1. Don’t pay your bills
The most important part of your credit score is your repayment history, so if you want to have terrible credit, don’t pay your bills.

Did you get a bill in the mail from your credit card company today? Don’t open it. Leave it in the envelope and throw it on top of the growing pile of paper on your dining room table. By refusing to pay even the minimum monthly payment, you guarantee that the repayment history on your credit report will look terrible, showing that you have bills you haven’t paid for 90-plus days. Eventually, your account will go to collections, making your score plummet further.

Better yet, throw your unopened credit card bill in the trash. That way, a thief might be able to acquire enough information about you to steal your identity, leaving you with a gigantic financial mess to clean up and completely trashing your credit score.

While you’re at it, don’t open your monthly mortgage statement either. Keep doing this month after month. Eventually, you’ll lose your home to foreclosure. Between the unpaid mortgage and the credit card bills, you may even have to declare bankruptcy. Bankruptcies and foreclosures are a great way to ruin your credit not just in the short term, but for years to come.

2. Charge it!
The second most important factor of your credit score is how much you owe. So if you want to ruin your credit score, make sure to max out all of your credit cards. Better yet, try to spend past the limit! Then, don’t pay the bill—ever. Let the interest and late fees rack up. Instead of keeping your credit card balances below 15% to 25% of your total available credit, see if you can manage to owe $10,000 on a card with a $5,000 limit.

3. Apply, apply, apply
Keep in mind that 10% of your credit score is based on how many new accounts you have applied for recently. So if you want to mar this component of your score, why not surf the Web and see how many credit card applications you can fill out in a single day? Best of all, if you get approved, you’ll have new tools for digging yourself into an even deeper financial hole.
4. Be a one-trick pony
Your credit score tends to be higher if you use a mix of different types of credit, such as credit cards, store accounts, an auto loan and a mortgage. Of course, to get approved for a mix of credit in the first place, you'd have to be responsible with your money. If you want to look bad, don't mix it up—stick with credit cards. These are one of the easiest types of credit to get.

5. Assume that it's hopeless
Once you've thoroughly destroyed your credit, there's no sense in hoping that things could get better one day. After all, a bankruptcy can stay on your credit score for up to 10 years. So don't visit a nonprofit credit counseling service for help. Don't work out a budget to help you manage your money better. Don't cut up your credit cards or freeze them in blocks of ice. And don't take any baby steps toward paying off your debts. Just resign yourself to a life on the streets—it will be harder for your creditors to track you down if you don't have a job, an address, or a phone number. Don't believe anyone who tells you that you can turn your situation around in a year or two if you're motivated enough.

What won't affect your score
While you're hard at work destroying your credit and ensuring that your life will one day revolve completely around clawing your way out of debt, please keep in mind that there are a few destructive behaviors that won't have any impact on your credit score.

Unless you do it so often that your bank sends your account to collections, overdrawing your checking account won't have any effect on your credit score—though it will be very expensive. Getting divorced, in and of itself, will not affect your credit score, so don't think that stepping out on your spouse will get you any closer to a 300. Losing your job won't directly affect your score, either, nor will receiving unemployment checks or signing up for food stamps.

Credit bureaus don't care if you're on public assistance, and they don't care if you have a job. They're only interested in whether and when you pay your bills, not how you derive the means to pay for them. But hey, why stop at just destroying your credit when you could destroy your entire life?

The bottom line
Please don't follow the tongue-in-cheek tips in this article—we really don't want to see you ruin your finances, your relationships or your sanity.

This article was reported by Amy Fontinelle for Investopedia.
Understanding Credit
The Danger Signs of Credit Problems

Avoid credit problems by learning how to recognize the danger signs of credit. See if you can find them in this list. Put an “X” in front of each danger sign.

1. Getting a credit card bill that is much larger than you expected.
2. Using a cash advance from one credit card to make a payment on another card.
3. Completing every new credit card offer you get in the mail.
4. Replacing an old credit card with a high APR (annual percentage rate) with a card that has a lower one.
5. Your monthly payments are taking up most of your monthly pay.
6. Paying for a new outfit for a job interview with your credit card.
7. You forgot to open your loan statement from your credit union and forgot to make the monthly payment.
8. Taking out money from your savings account to make a minimum payment on your credit card.
9. Having a bill collector call you
10. You don’t know how much you owe on your credit cards or charge accounts.
11. There was a late fee charged on your credit card.
12. Receiving a notice that if your loan payment is not paid in 10 days it will go into collections.
13. You closed your savings account because you never seemed to have any money in it.
14. The low monthly payments on a couch made you decide to buy it.
15. Getting a letter that tells you your credit limit has increased on your credit card.