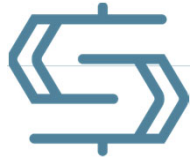




# CREDIT

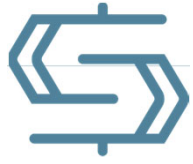
Everything You Need to Know



# What is Credit?

Credit allows you to charge purchases, write checks, or make cash withdrawals of amounts up to a set limit.

- **Principal:** Amount borrowed
- **Interest:** Amount charge, expressed as a percentage of the principal, for the use of assets



# Myths About Credit

**Myth #1:** “I’ll pay it off when I get a job [or bonus, or raise, whatever].”

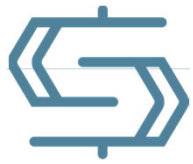
**FACT:** Americans are LOADED with credit card debt. According to one study, the average credit card holder rolls over approximately \$3,900 in debt per month.



# Myths About Credit

**Myth #2:** “My minimum payments will pay off my debt.”

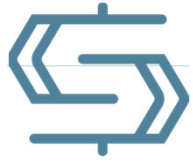
**FACT:** If you just pay the minimum due on credit card bills, you’ll barely cover the interest you owe, to say nothing of the principal.



# Myths About Credit

**Myth #3:** “I’ll only use my credit card for emergencies.”

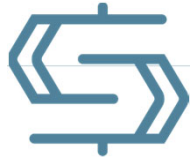
**FACT:** Credit cards are rarely only used in actual emergencies. More often than not, the first credit card is used for non-emergency items. And due to the ease of use, it is easy to run up a debt and/or get more credit cards.



# Myths About Credit

**Myth #4:** “But I’ve got this really low interest rate!”

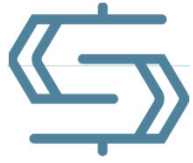
**FACT:** Credit card companies often lure customers in with a low interest rate as an introductory rate, and after three months the rate goes up.



# Myths About Credit

**Myth #5:** “I know I’ll always be able to pay off the entire balance each month.”

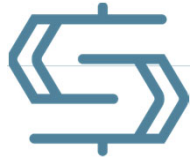
**FACT:** Credit card companies prefer customers who do NOT pay off their balances each month, so they often “reward” customers by increasing their credit limits.



# Advantages to Credit

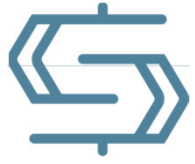
- Buy now, pay later
- Purchase online
- Don't have to carry large amounts of cash
- Establish good credit history
- Can be safer than a debit card



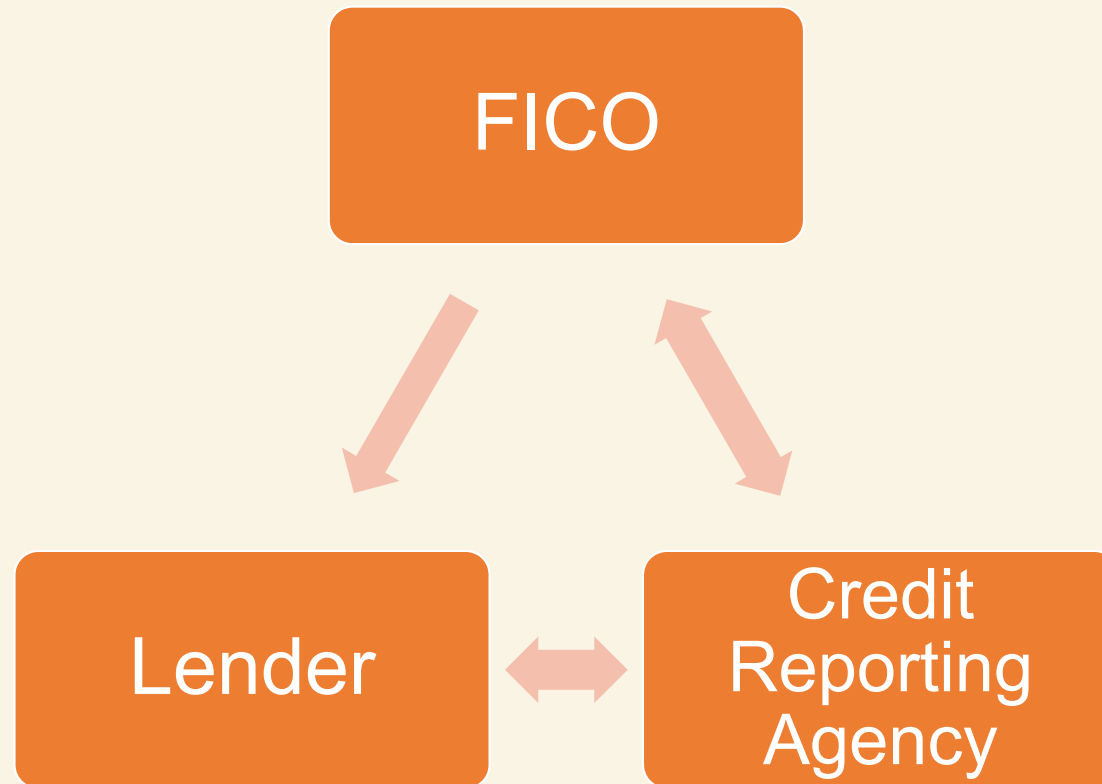


# Disadvantages to Credit

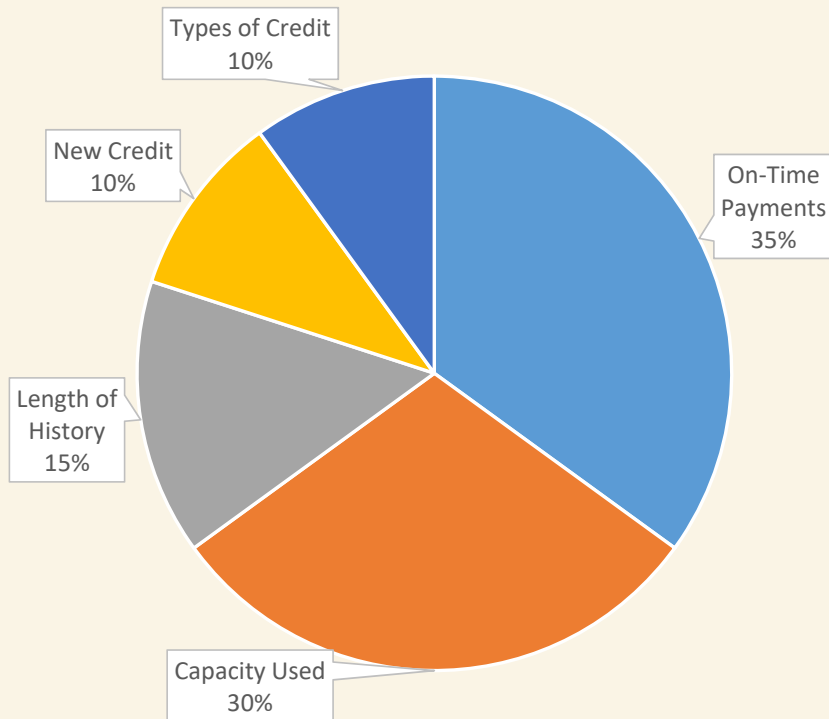
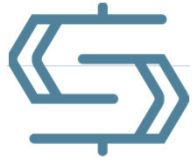
- Spend more than if you use cash
- Items purchased actually cost more if you can't pay off the balance each month
- Debt hinders you from saving and investing
- Establish poor credit history



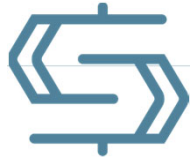
# Who Reports to Whom?



# What counts in your FICO score?

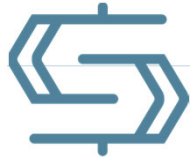


- On-time payments: 35%
- Capacity Used: 30%
- Length of History: 15%
- New Credit: 10%
- Types of Credit: 10%



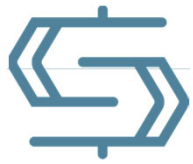
# Credit IQ Quiz

1. Placing utilities in your name is a great way to build credit.
2. Missing one payment will not impact your credit score.
3. Using your debit card wisely will help you establish good credit.
4. All credit cards are created equal.



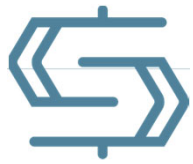
## Credit IQ Quiz

5. A credit card comes with a credit limit.
6. You may pay the full amount anytime.
7. There are only two credit reporting agencies.
8. FICO stands for Federal Insurance Corporation.



## Credit IQ Quiz

9. People spend more money when they use credit.
10. Everyone is entitled to as much credit as they want.
11. Your car insurance rate is tied to your FICO score.
12. Having no credit history is the way to go.



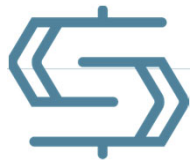
# Credit IQ Quiz

1. Placing utilities in your name is a great way to build credit.

***False:*** Most utility companies do not report your payment information.

2. Missing one payment will not impact your credit score.

***False:*** Even one late payment may be indicated on your credit report.



# Credit IQ Quiz

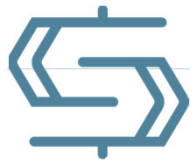
3. Using your debit card wisely will help you establish good credit.

***False:*** A debit card withdraws money from your checking account and does not impact your credit even though the card may have a MC or Visa logo.

4. All credit cards are created equal.

***False:*** Check the fine print for terms, rates, etc.





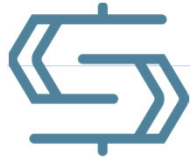
## Credit IQ Quiz

5. A credit card comes with a credit limit.

***True:*** Credit limits are determined largely by your FICO score.

6. You may pay the full amount any time.

***True:*** If you do not pay the full amount each month, you will incur fees.



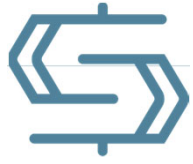
# Credit IQ Quiz

7. There are only two credit reporting agencies.

***False:*** *There are three major credit reporting agencies (Experian, TransUnion, and Equifax).*

8. FICO stands for Federal Insurance Corporation.

***False:*** *It stand for Fair Isaac Corporation.*



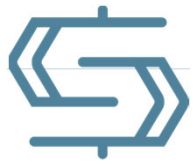
# Credit IQ Quiz

9. People spend more money when they use credit.

**True:** *Research indicates that credit users make larger purchasers with credit than they would with cash.*

10. Everyone is entitled to as much credit as they want.

**False:** *The ability to repay is the deciding factor.*



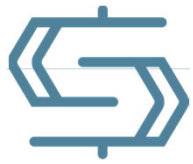
## Credit IQ Quiz

11. Your car insurance rate is tied to your FICO score.

**True:** *Insurance companies consider a low FICO score to be indicative of poor driving.*

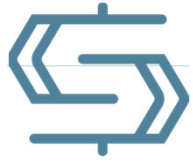
12. Having no credit history is the way to go!

**False:** *Before you can make a major purchase (car, house) you must have a credit history.*



## Now What?

- Review your credit load.
- Set a realistic goal for paying off any credit cards.
  - How Long Will It Take To Pay Off My Credit Card  
<http://cashcourse.org/Student/Financial-Tools/Financial-Calculators/How-long-will-it-take-to-pay-off-my-credit-card-s>
  - CashCourse article: The Smart Student's Guide to Credit Reports
- Set up a savings account.
- Consider paying cash or going without.
- Request a copy of your credit report.



# Checking Your Credit Report

Eligible to receive one free credit report from each of the three credit reporting agencies.

1. Experian: [www.experian.com](http://www.experian.com)
2. Equifax: [www.equifax.com](http://www.equifax.com)
3. TransUnion: [www.transunion.com](http://www.transunion.com)

[www.annualcreditreport.com](http://www.annualcreditreport.com)



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