SecureFutures
Money Sense

To Your Credit

Student Workbook

Use the space below to take notes on what you want to remember and what you want to share with others.

Extra Resources:

Practical Money Skills – Check out the sections on credit and debt. Review the sections on buying a car and a house, too! http://www.practicalmoneyskills.com/learn

Better Money Habits – Check out the sections on credit, debt, home ownership, and auto. https://bettermoneyhabits.bankofamerica.com/en

Fill in the key terms.

Credit is:

- _____ that is _____ to you
- _____ _____ with _____ when payments are made over time
- a way to _____ now and _____ later

Draw a line to connect each vocabulary term with the correct definition.

① APR	The fee charged if the minimum payment is made after the due date
② Grace Period	Annual rate that is charged for borrowing
③ Available Credit	The amount of credit you have to spend
④ Late Payment Fee	The number of days between the statement date and the payment due date

CARD Statement

Account Number	1234 1234 1234 1234
Statement Closing Date	**07/09/18**
Credit Line	$2,100.00
Available Credit	$1,576.80

3

TERESA TORRES
123 ANY STREET
CITY CA 12345

4

2

Account Summary

Previous Balance	$1,686.15
- Credits	$0.00
- Payments	$1,688.15
+ Purchases & Other Chgs	$523.20
+ Cash Advances	$0.00
+ FINANCE CHARGE	$0.00
= New Balance	$523.20

Payment Information

New Balance	$523.20
Scheduled Minimum Payment	$35.00
Scheduled Payment Due Date	**08/01/18**

Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a late fee of up to $35.00 and your APR's will be subject to increase to a maximum Penalty APR of 29.99%.

Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example:

If you make no additional charges using this card and each month pay...	You will payoff the balance shown on this statement in about...	And you will end up paying and estimated total of...
Only the minimum payment	1.5 years	$627
$49	1 year	$596 (Savings = $31)

If you would like more information about credit counseling services, call 1-800-555-5555.

Paying more than the minimum saves money in the long run!

Rate Information

YOU MAY PAY YOUR BALANCE IN FULL AT ANY TIME
YOUR RATE MAY VARY ACCORDING TO THE TERMS OF YOUR AGREEMENT
NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION ABOUT YOUR ACCOUNT

1

Type of Balance	Corresponding ANNUAL PERCENTAGE RATE	Daily FINANCE CHARGE RATE	Average Daily Balance
PURCHASE(S)	19.80%	.05424%	.$0.00
CASH ADVANCE(S)	21.80%	.05972%	.$0.00

Composite ANNUAL PERCENTAGE RATE 21.80%

Days in Billing Cycle 25

Transactions

Trans	Post	Reference Number	Description	Credits	Charges
06/11	06/11	XXXXXXXXXXXXXXXXXXXX	MERCHANT NAME		523.20
06/12	06/13	XXXXXXXXXXXXXXXXXXXX	PAYMENTS	1,686.15	

Detach an mail with check so that your payment is received no later than the "Payment Due" date. See reverse for important additional information.

Account Number	1234 1234 1234 1234
New Balance	$523.20
Scheduled Minimum Payment	$35.00
Scheduled Payment Due Date	**08/01/18**

08/01/18

Amount Enclosed $

PAYMENT ADDRESS
123 ANY STREET
LOS ANGELES, CA 90030-0086

TERESA TORRES
123 ANY STREET
CITY, CA 123456

Compare the offers below to determine which is best and why. Circle which card has the best feature for each category to help guide your decision. The card that has the most items circled will be the card with the best offer.

Comparing credit card offers

	Card A	**Card B**	**Card C**
Application Fee	none	$30	none
Annual Fee	$20	$35	none
Introductory Rate	1.9% for 6 months	0% for 1 month	1.9% for 12 months
Interest Rate	15.9%	22.9%	16.0%
Grace Period	20 days	25 days	25 days
Late Payment Fee and Terms	$25 and APR is increased to 24.9%	$35	$25
Over-the-Limit Fee	$25	$35	$25

Consider these questions when choosing a credit card:

- Is there an introductory rate, what is it, and how long does it last?
- What will my interest rate be after the introductory rate?
- Is there an application fee?
- Is there an annual fee?
- What is the late payment fee?
- Is there an over-the-limit fee?
- Are there any other fees, like account-termination fees or balance-transfer fees?
- How can a fixed rate be changed?
- What is the grace period before interest is charged?

Credit Card Tips

- Avoid carrying a balance
- Don't use your card for cash advances

- Think before you buy. If you can't pay cash for it now, will you be able to pay for it when the bill comes?

Fill in the key terms.

The terms of your loan (how much you pay for how long) are determined by your

_____

which is determined by your

_____

Sample Credit Report

Credit Reporting Agency
Business Address
City, State, 00000

1 Personal Identification Information

Your Name
123 Current Address
City, State 00000

Social Security #: 123-45-6789
Date of Birth: May 1, 1986

Previous Address(es)
456 Old Address, City, State 00000
789 Older Address, City, State 00000

Last Reported Employment:
Accountant, Accounting Firm

2 Public Record Information

Bankruptcy Filed 12/15; Milwaukee County; Case ID 765432;
Liabilities-$25,200; Personal; Individual; Discharges; Assets-$750

Satisfied Judgment Filed 07/12; Dane County; Case ID 234567; Defendant-Consumer; Amount-$9,342; Plaintiff-XYZ Real Estate; Satisfied 03/13 ; Verified 05/13

3 Collection Agency Account Information

Collection Agency (800) 111-1111
Collection Reported 05/17 ; Assigned 07/17 to Collection Agency; Client-Hospital; Amount-$1040; Paid collection account

4 Credit Account Information

Company Name	Account Number	Whose Acct.	Date Opened	Months Reviewed	Last Activity	High Credit	Terms	Items as of Date Reported			Date Reported
								Balance	Past Due	Status	
Dept Store	12345	I	04/08	36	04/11	$500	X	$0	X	O1	01/18
Payment History: 1111111111111111112111111111111132211											
Auto Finance	987654	I	07/11	48	07/15	$7500	$300	$0	X	I1	12/17
Payment History: 433232111111111111211111111111222111111111111111											

5 Companies that Requested Your Credit File

12/30/17 Equifax-Disclosure
10/02/17 Department Store
07/08/17 Bank
12/18/16 Department Store
08/29/16 Credit Card Company

6 FICO Score

504

Payment History Key: 1 = Pays as agreed, **2 =** 30–59 days past the due date, **3 =** 60–89 days past the due date, **4 =** 90–119 days past the due date, **5 =** 120 days or more past the due date, **07 =** Paying or paid under a special agreement, **08 =** Repossession

What it all means:

Section 1: Basic identification information

Credit reports identify you using a number of pieces of information. These usually include:

- Your name and current address
- Social security number
- Previous addresses
- Date of birth
- Driver's license number
- Spouse's name

Section 2: Public records

This is where any bankruptcies or tax liens are listed. If you have any of these instances on your reports, you probably have poor credit and a low credit score.

Section 3: Collection agency information

If you don't pay your bills, a creditor may hire a collection agency to contact you and try to collect what you owe.

Section 4: Credit account records and payment history

The reports will also have information about all of your credit accounts. Each credit account will be listed along with identifying information about the account, such as:

- Date the account was opened
- The type of account (such as a loan or credit card)
- The limit on the credit account
- The current balance
- The minimum monthly payment
- Date the account was closed (if it is no longer active)

In addition, each credit account will show if you have been able to pay your bills in full and on time throughout the past five to seven years. Some reports include a simple statement about whether you're a good bill payer such as "always pays bills on time."

On the sample, note the series of numbers after "Payment History": 1= Pays as agreed, 2= 30–59 days past the due date, 3= 60–89 days past the due date, 4= 90–119 days past the due date, 5= 120 days or more past the due date, 07= Paying or paid under a special agreement, 08= Repossession. This section may look different on reports from different agencies, but it will contain the same general info.

Section 5: Credit Inquiries

There will be a list of inquires that have been made by credit companies about your credit history. This allows you to see who has been asking about your credit-worthiness. Credit companies tend to look for answers to specific questions, such as, "Do you pay your bills?" and "Have you ever filed for bankruptcy?" They will use this information to help determine how much credit, if any, they want to issue to you.

Section 6: Credit Score

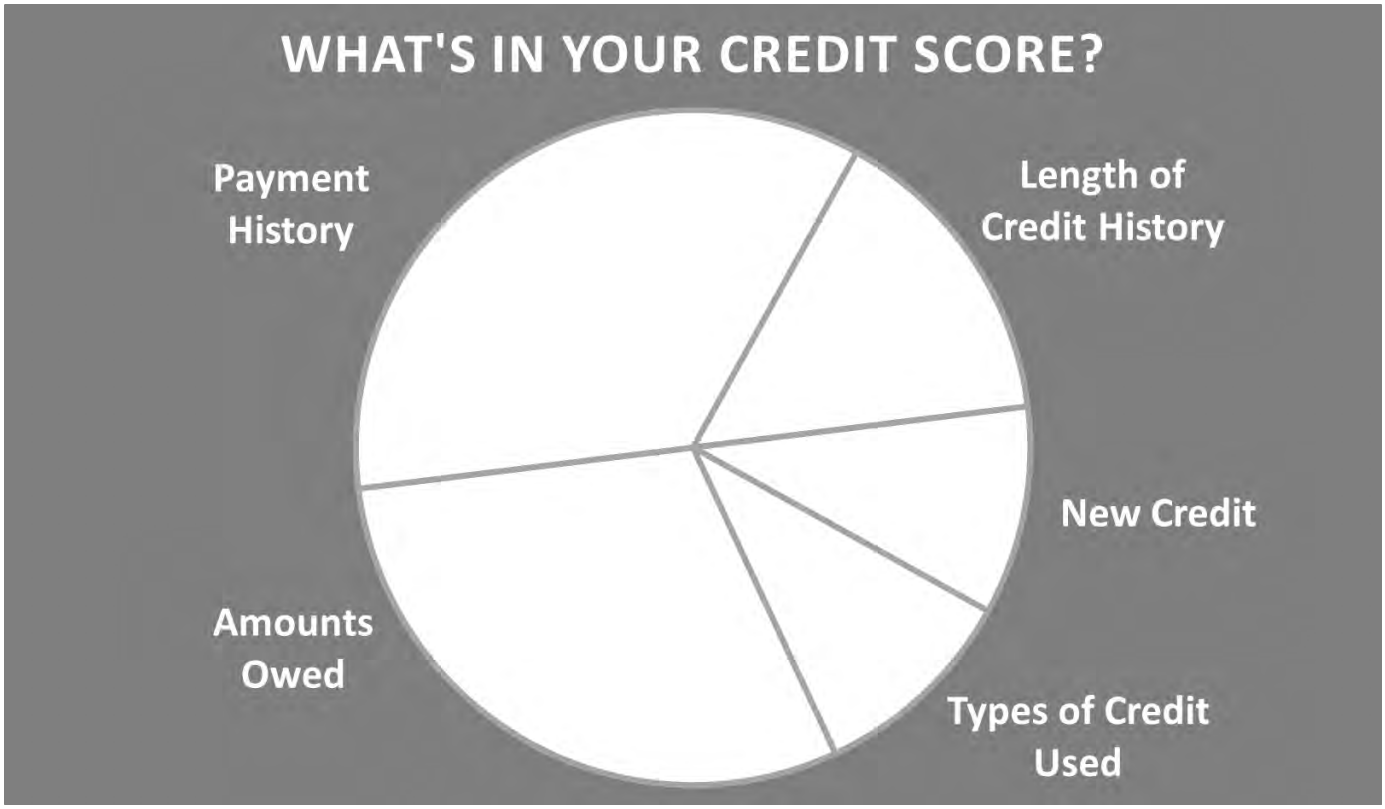
You are entitled to receive one free credit report every 12 months from each of the three national consumer credit reporting companies: Equifax, Experian, and TransUnion

☑ Visit annualcreditreport.com for your free credit report!

Fill in the credit scores below.

FICO Score Ranges	
	Exceptional. You will likely have little trouble getting approved for credit and will qualify for the best loan terms.
	Very good. You likely will qualify for better interest rates.
	Good. Lenders see you as an "acceptable" borrower, but may require answers to additional questions about your credit history.
	Fair. You might have difficulty getting credit. When you are approved, it likely will be at a higher interest rate.
	Poor. This reflects some real hardships, such as bankruptcy, or a borrower who has not built up credit yet. If you are granted credit, you might need to put down a deposit or pay a fee.

Fill in the percentages below.



Fill in the responses as they are given, then answer the questions below.

Loan Officer Interview Questions	**Loan Applicants:**		
	1	2	3
1. How many times have you applied for credit in the last 6 months?			
2. Do you have any of the following entries listed on your credit report? • Bankruptcy • Serious Late Payment • Foreclosure • Tax Lien (you owe taxes to the government)			
3. How many of the following open or closed accounts are listed on your credit report? • Auto Loans • Department store credit cards • Major Credit Cards • Mortgages • Student Loans • Other Loans			
4. How old is your oldest active credit card, loan or mortgage?			
5. What is your: • Total credit limit? • Total **available balance** of your open credit cards?			
Who should get the loan?			
A. Which loan applicant has which of these credit scores? A. 766 B. 457 C. No Credit Score			
B. What is the primary factor(s) affecting each applicant's credit score? A. Negative entries on their credit report, uses most of their available credit B. No credit history C. Everything points to a strong credit score			
C. What advice would you give each applicant? A. Not much. Keep paying your bills and loan payments on time and don't borrow money to buy things you can't afford. B. Pay all bills on time, carry a lower balance from month to month and don't apply for additional credit until you have a higher credit score. C. Apply for a major credit card with a low credit limit. Have a trustworthy co-signor apply with you, open a secured credit card (use your savings as collateral) or apply for an auto loan (loan would be secured by your car).			

Common mistakes that can hurt your credit

- Having too many credit cards
- Opening too many new accounts or loans in a short period of time
- Not checking your credit report
- Not notifying creditors when you move or change names
- Not using your full legal name on financial documents (esp. if other people in your family have the same name!)

Simple ways to improve your credit

- Pay your bills on time
- Keep your balance low in relation to available credit
- Dispute errors on your credit report, so they can be corrected
- Pay off credit card debt, rather than move it around to other cards
- Always make more than the minimum payment

GO DO IT NOW!

Financial Issue	Best Practices to Help Manage Money Responsibly	My Financial To Do List
Credit Cards	☐ When I have any type of credit card, I will only buy things I can afford to pay for in full at the time I make the purchase. ☐ I understand that using my credit card to buy something that I will need to pay off for months or years will keep me in debt and result in me paying much more than the items I bought actually cost.	
Credit Score	☐ I will pay all of my bills and any loan payments I have on time and in full. ☐ When I have a credit card I will pay off the full balance each month on time. I will always pay more than the minimum required. ☐ I will not apply for multiple credit cards in short periods of time.	
Credit Report	☐ I check my credit report at **AnnualCreditReport.com** at least once each year. *(Only use this site! Others can scam you and make you pay for your report.)* ☐ I will address any problems or inaccuracies I find on my credit reports with the credit reporting agencies.	
Building a Good Credit History	☐ I will consider the following when I am financially ready and responsible to help build a good credit history and score: ○ Applying for a store credit card and using for periodic purchases. ○ Talking to my bank or credit union about opening a secure credit card. ○ Talking to my bank about applying for a major credit card with a low credit limit and having a trustworthy co-signor age 21 or older apply with me. **(Remember, it is a joint account so if they use the card and don't pay off their purchases, it affects you.)**	