

# To Your Credit





**How many Americans do not have credit history with a nationwide consumer reporting agency?**



**How many Americans do not have credit history with a nationwide consumer reporting agency?**

**Nearly 28 million**

*(Lexingtonlaw.com - [30 Credit Score Statistics for 2023](#)  
Source: Oliver Wyman, 3, Report:  
[Financial Inclusion and Access to Credit - 2022](#))*

# What we'll learn...

- What is credit?
- How do you manage credit responsibly?
- What are credit reports and credit scores?
- How do you build and improve your credit score?



# How we'll do this...

- Seize the opportunity!
- Be engaged. Ask questions and participate in discussions.
- Respect each others thoughts.
- Use the workbook. Take notes and complete activities.
- Have fun!



# So... what is credit?



# So... what is credit?



- It's money that is loaned to you
- It's paid back with interest when payments are made over time
- It's a way to buy now and pay later
- Availability is based on your borrowing history



# Why does it matter?

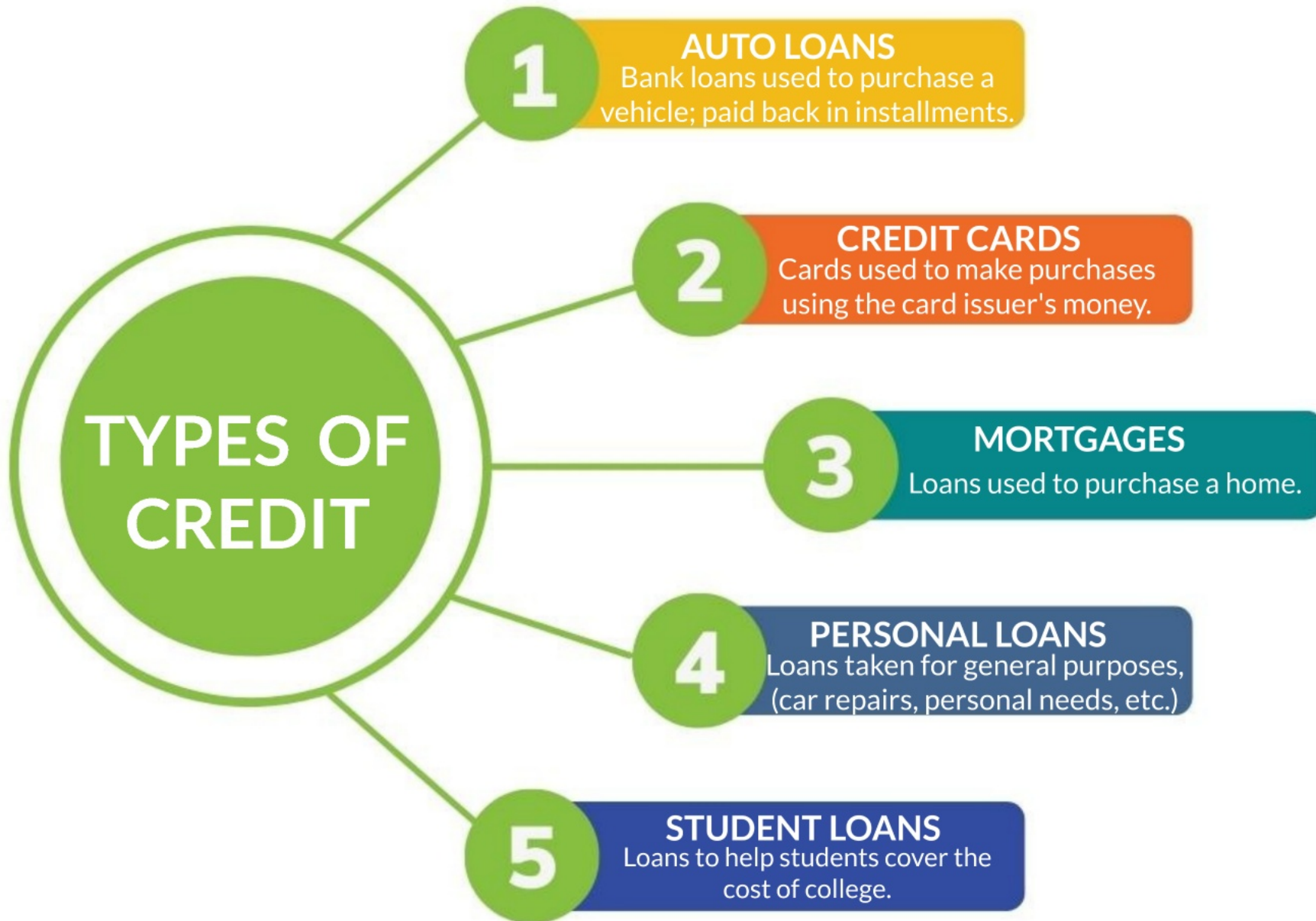




# Why does it matter?

- Establish good credit now to prepare for big purchases later in life (first car loan, mortgage, apartment).
- Set yourself up for future success - Get better interest rates.
- Possibly be able to get a cell phone without prepaying or making a security deposit.
- In some cases, good credit makes you look better to potential employers.





vehicle; paid back in installments.

2

## CREDIT CARDS

Cards used to make purchases using the card issuer's money.

MORTGAGES

# Credit Card Vocabulary



1. APR
2. Grace Period
3. Available credit
4. Late payment fee

# Sample Credit Card Statement

Grace Period

2

## CARD Statement

Account Number 1234 1234 1234 1234  
 Statement Closing Date 07/09/23  
 Credit Line \$2,100.00  
 Available Credit \$1,576.80

Available Credit

3

TERESA TORRES  
 123 ANY STREET  
 CITY WI 12345

4

Late Payment Fee

### 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

**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 an estimated total of...
Only the minimum payment	1.5 years	\$627
\$49	1 year	\$596 (Savings = \$31)

### Payment Information

New Balance \$523.20  
 Scheduled Minimum Payment \$35.00  
 Scheduled Payment Due Date 08/01/23

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

### 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

APR

1

Type of Balance	Corresponding ANNUAL PERCENTAGE RATE	Daily FINANCE CHARGE RATE	Average Daily Balance
PURCHASES	19.80%	.05424%	\$0.00
CASH ADVANCE(S)	21.80%	.05972%	\$0.00
Composite ANNUAL PERCENTAGE RATE 21.80%		Days in Billing Cycle 30	

### Transactions

Trans Post	Reference Number	Description	Credits	Charges
06/11 06/11	xxxxxxxxxxxxxxxxxxxxxx	MERCHANT NAME		532.20
06/12 06/13	xxxxxxxxxxxxxxxxxxxxxx	PAYMENTS	1,686.15	

Detach and 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 08/01/23

08/01/23

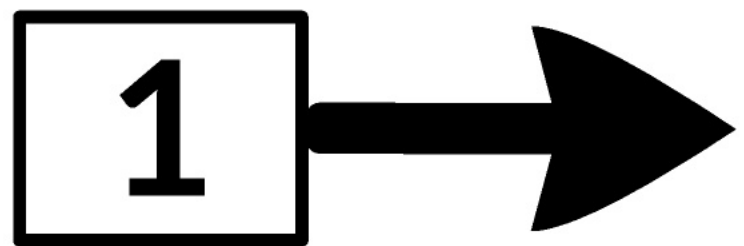
Amount Enclosed

\$

PAYMENT ADDRESS  
 123 ANY STREET  
 CITY WI 53000-0348

TERESA TORRES  
 123 ANY STREET  
 CITY WI 12345

APR



Corresponding  
ANNUAL  
PERCENTAGE  
RATE

Type of Balance

PURCHASES

19.80%

CASH ADVANCE(S)

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Composite ANNUAL PERCENTGE RATE 21.80%

Grace  
Period

2

Account Number	1234 1234 1234 1234
Statement Closing Date	07/09/23
Credit Line	\$2,100.00
Available Credit	\$1,576.80

3

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+ FINANCE CHARGE	\$0.00
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TERESA TORO  
123 ANY STREET  
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3

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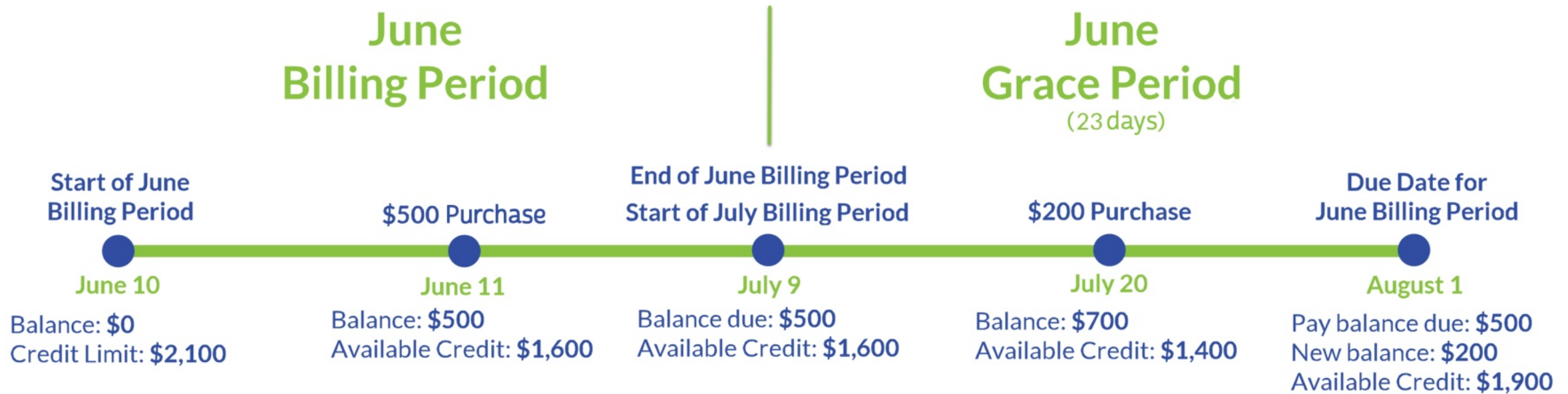
4

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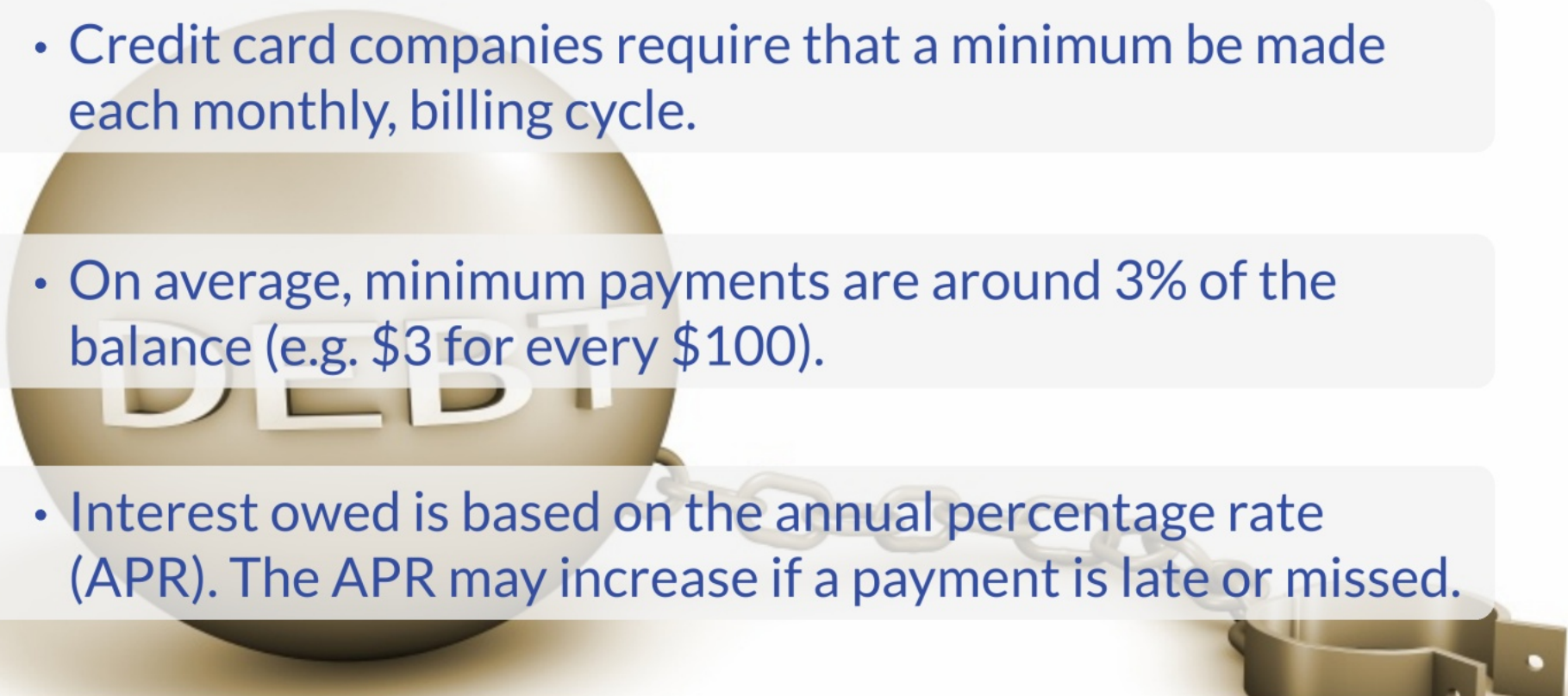
# Timeline Of A Credit Card Balance



# What's the Catch?



# What's the Catch?

- 
- Credit card companies require that a minimum be made each monthly, billing cycle.
  - On average, minimum payments are around 3% of the balance (e.g. \$3 for every \$100).
  - Interest owed is based on the annual percentage rate (APR). The APR may increase if a payment is late or missed.
  - If what you owe is not paid in full and on time, you pay interest and finance charges on the balance.

**Q: What percent of Americans who have credit card debt won't be able to pay it off within a year?**



**Q: What percent of Americans who have credit card debt won't be able to pay it off within a year?**

**A: 70%**



# If the minimum payment is made...

Item	Price	Min. Monthly Payment (3% of balance or at least \$35)	Interest Paid (19.8% APR)	Total You Pay Over Time	Total Years to Pay Off
PS5	\$500	\$35	\$112	\$712	?
Laptop	\$1,200	Starts at \$36	\$590	\$1,790	?
Furniture	\$2,500	Starts at \$75	\$2,207	\$4,707	?

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PS5	\$500	\$35	\$112	\$712	1 yr. 9 mo.
Laptop	\$1,200	Starts at \$36	\$590	\$1,790	?
Furniture	\$2,500	Starts at \$75	\$2,207	\$4,707	?



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Furniture	\$2,500	Starts at \$75	\$2,207	\$4,707	8 yr. 10 mo.

# The benefit of paying MORE than the minimum payment

Original Balance	Monthly Payment	Total Time to Pay Off	Total Amount Paid
\$2,500	Minimum (Starts at \$75)	8 yr. 10 mo.	\$4,707
\$2,500	\$100	2 yr. 9 mo.	?
\$2,500	\$2,500	1 mo	?

# The benefit of paying MORE than the minimum payment

Original Balance	Monthly Payment	Total Time to Pay Off	Total Amount Paid
\$2,500	Minimum (Starts at \$75)	8 yr. 10 mo.	\$4,707
\$2,500	\$100	2 yr. 9 mo.	\$3,259
\$2,500	\$2,500	1 mo	?

# The benefit of paying MORE than the minimum payment

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\$2,500	Minimum (Starts at \$75)	8 yr. 10 mo.	\$4,707
\$2,500	\$100	2 yr. 9 mo.	\$3,259
\$2,500	\$2,500	1 mo	\$2,500

# Compare Credit Card Offers





## 3 Comparing Credit Card Offers

	 <b>Card A</b>	 <b>Card B</b>	 <b>Card C</b>
Annual Fee	\$0	\$50	\$0
Introductory Rate	None	0% for 6 months	0% for 12 months
Interest Rate	17.5%	13.9%	15.2%
Late Payment Fee	\$45	\$0 for the 1st late payment, then \$41	\$41
Over-the-Limit Fee	None	\$35	None
Rewards	Travel points for air and hotel	None	1% Cashback on all purchases

**END PART 1**

So, how's your credit?



# Good vs. Bad Credit

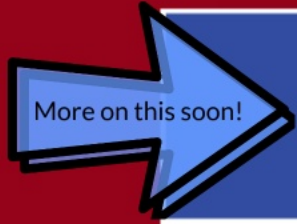
*Why does it even matter?*



# Auto Loan



5-year loan for \$10,000



FICO Score	APR	Monthly Payment	Total Interest Paid
720-850	7.28%	\$199	\$1,961
690-719	8.40%	\$205	\$2,280
660-689	10.03%	\$213	\$2,756
620-659	12.22%	\$224	\$3,413
590-619	16.42%	\$245	\$4,723
500-589	17.34%	\$250	\$5,022
< 500		<b><u>DENIED</u></b>	

*Actual Rates as of 7/5/23*

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

?



*which is determined by your*

?

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

**CREDIT SCORE**



*which is determined by your*

**CREDIT REPORT**

# Credit *Report*

=

A record of how you have repaid your debts that lenders report to the three credit reporting agencies.

# What is on a credit report?

# What is on a credit report?

## *It lists:*

- What types of credit you use
- The length of time your accounts have been open
- Whether you've paid your bills on time
- How much credit you've used
- Whether you're seeking new sources of credit

**EQUIFAX**<sup>®</sup>

experian<sup>™</sup>

TransUnion<sup>®</sup> 

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**EQUIFAX**<sup>®</sup>

experian<sup>™</sup>

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*This info is used to generate your credit scores!*

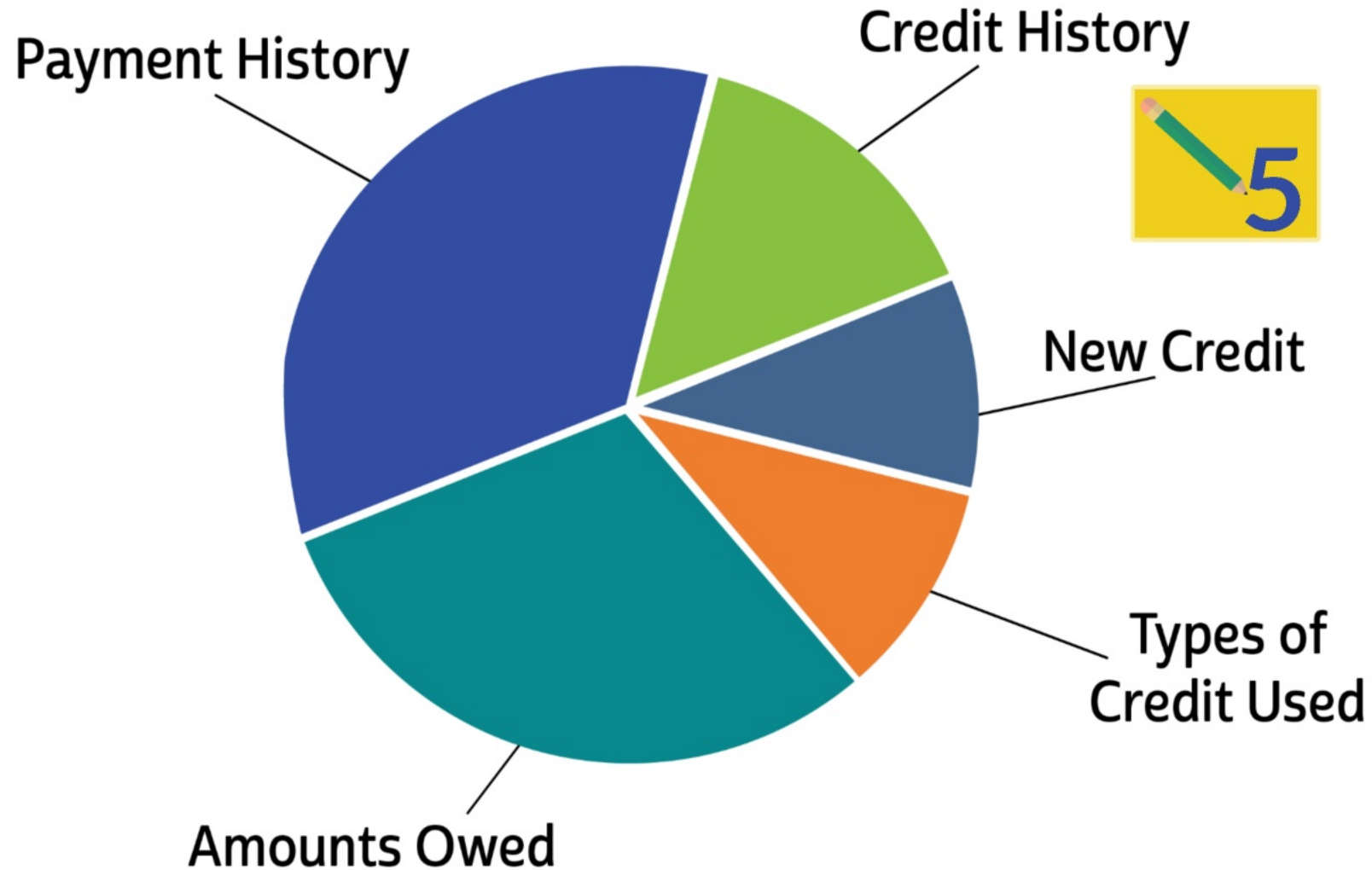


# Credit *Score*

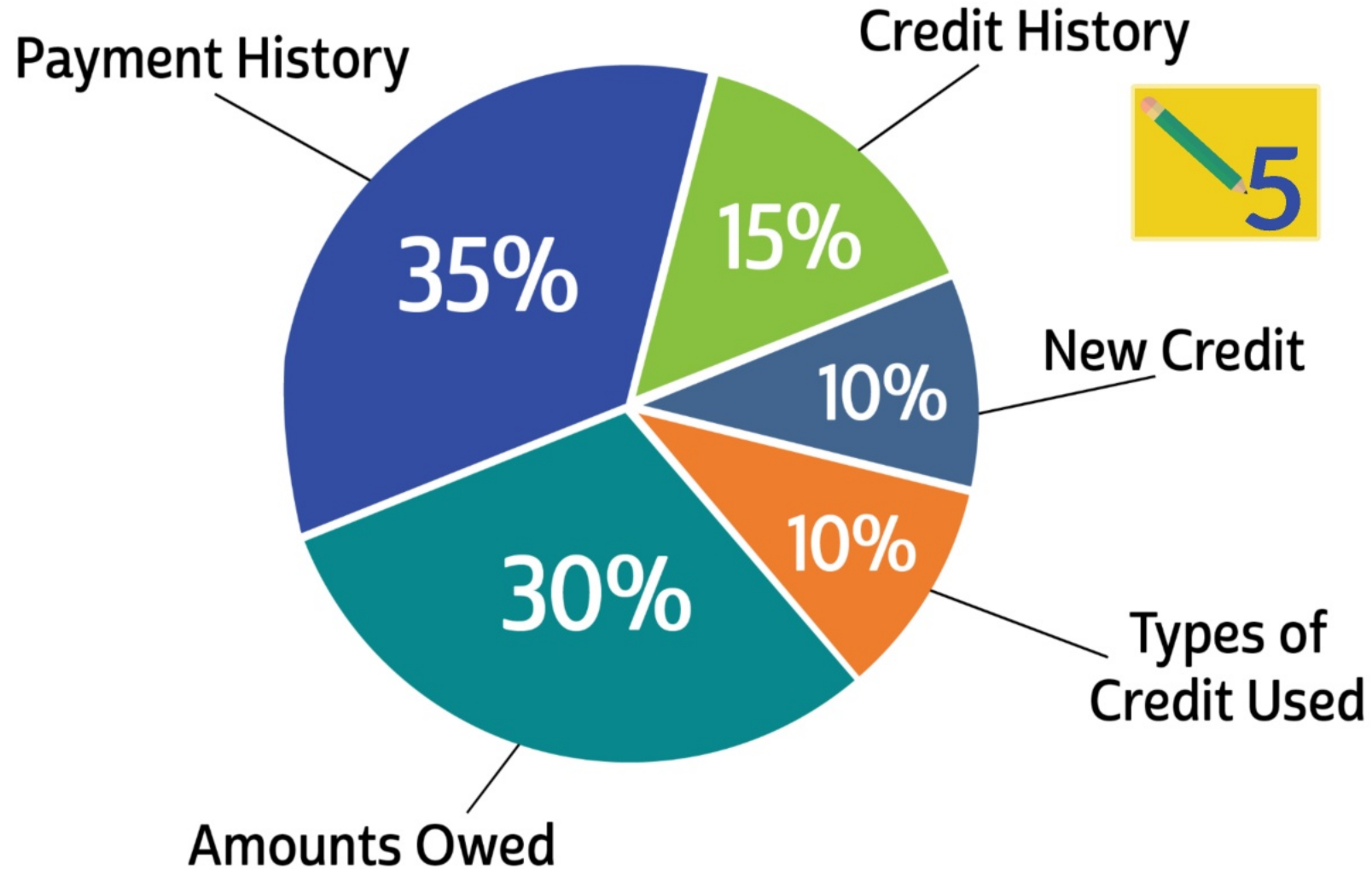
=

A rating based on the info in your credit report. It represents your creditworthiness or how likely you are to pay back a loan on time.

# What's in your credit score?



# What's in your credit score?



# FICO Score Ranges



**800 - 850**

**Exceptional.** You will likely have little trouble getting approved for credit and will qualify for the best loan terms.

**740 - 799**

**Very good.** You likely will qualify for better interest rates.

**670 - 739**

**Good.** Lenders see you as an “acceptable” borrower, but may require answers to additional questions about your credit history.

**580 - 669**

**Fair.** You might have difficulty getting credit. When you are approved, it likely will be at a higher interest rate.

**300 - 579**

**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.

**Q: How long does it take to establish your first credit score?**



**Q: How long does it take to establish your first credit score?**



**A: About 6 months**  
( of on-time payments)

# Who can check your credit? Why?

*Organizations and individuals with  
legitimate business concerns...*



# Who can check your credit? Why?

*Organizations and individuals with legitimate business concerns...*

- 
- Lenders from whom you applied for loans
  - Unsolicited financial institutions who are interested in getting your business
  - Your potential landlord
  - Your insurance agent
  - Your employer



# What's the Credit Score...

*How do our financial decisions  
affect our credit score?*



1. Listen to each scenario.
2. For each scenario, you will start with a credit score of 700.
3. Choose and discuss how the actions will affect your credit score.



# Scenario #1

You skipped a credit card payment. What is your new score?



## Scenario #1

You skipped a credit card payment. What is your new score?



Your score goes down 100 points.

*New Score: 600*

## Scenario #2

You take out a credit builder loan and make 12 consecutive on-time payments. What is your new score?



## Scenario #2

You take out a credit builder loan and make 12 consecutive on-time payments. What is your new score?

Your score goes up 70 points.

*New Score: 770*



## Scenario #3

You completely paid off a credit card and will only use it for emergencies. What is your new score?



## Scenario #3

You completely paid off a credit card and will only use it for emergencies. What is your new score?



Your score goes up 10 points or more.

*New Score: 710*

## Scenario #4

You closed a credit card that you haven't used for five years. What is your new score?





## Scenario #4

You closed a credit card that you haven't used for five years. What is your new score?



Your score goes down 10 points or more.

*New Score: 690*

## Scenario #5

You applied for a car loan. The inquiry is listed on your credit report. What is your new score?



## Scenario #5

You applied for a car loan. The inquiry is listed on your credit report. What is your new score?

Your score goes down 10 points.

*New Score: 690*



## Scenario #6

You missed a car payment by 2 days.  
What is your new score?



## Scenario #6

You missed a car payment by 2 days.  
What is your new score?



Your score stays the same.  
It doesn't change because  
your payment was not 30  
or more days late.




# Tips for Building a Good Credit History

- 
- Apply for a store credit card and **use it responsibly.**
  - Apply for a secured credit card.
  - Apply for a small loan at the bank or credit union where you have checking and savings accounts.
  - Ask a friend or relative with an established credit history to be a co-signer for you.



# Go Do It Now!

Financial Issue	Best Practices to Help Manage Money Responsibly	My Financial To Do List
Credit Cards	<input type="checkbox"/> 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. <input type="checkbox"/> 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	<input type="checkbox"/> I will pay all of my bills and any loan payments I have on time and in full. <input type="checkbox"/> 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. <input type="checkbox"/> I will not apply for multiple credit cards in short periods of time.	<i>Create your action plan!</i>
Credit Report	<input type="checkbox"/> I check my credit report at <b>AnnualCreditReport.com</b> at least once each year. <i>(Only use this site! Others can scam you and make you pay for your report.)</i> <input type="checkbox"/> I will address any problems or inaccuracies I find on my credit reports with the credit reporting agencies.	
Building a Good Credit History	<input type="checkbox"/> I will consider the following when I am financially ready and responsible to help build a good credit history and score: <ul style="list-style-type: none"> <li>○ Applying for a store credit card and using for periodic purchases.</li> <li>○ Talking to my bank or credit union about opening a secure credit card.</li> <li>○ 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. <b>(Remember, it is a joint account so if they use the card and don't pay off their purchases, it affects you.)</b></li> </ul>	

Financial Issue	Best Practices to Help Manage Money Responsibly	
Credit Cards	<input type="checkbox"/> 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.  <input type="checkbox"/> 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	<input type="checkbox"/> I will pay all of my bills and any loan payments I have on time and in full. <input type="checkbox"/> 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. <input type="checkbox"/> I will not apply for multiple credit cards in short periods of time.	
Credit Report	<input type="checkbox"/> I check my credit report at <b>AnnualCreditReport.com</b> at least once each year. <i>(Only use this site! Others can scam you and make you pay for your report.)</i>  <input type="checkbox"/> I will address any problems or inaccuracies I find on my credit reports	



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# Questions?



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