

# To Your Credit



The information is based upon an Fidelity Investments publication. Fidelity Investments is not a financial advisor.

How can I improve my credit score?

## What can I learn...

- How to improve my credit score
- How to check my credit score
- How to get a credit report

Credit Report



How can I improve my credit score?

How can I learn...



Comparing Credit Card Offers

Card	APR	Annual Fee	Other Fees
Card A	15.99%	\$0	\$0
Card B	14.99%	\$0	\$0
Card C	13.99%	\$0	\$0



Compare Credit Card Offers

Why does credit matter?

Why does credit matter?

How can I learn...

How can I learn...

The benefit of paying MORE

Payment	Interest	Balance
\$100	\$10	\$90
\$100	\$9	\$91
\$100	\$8	\$92

If the minimum payment is made...

Payment	Interest	Balance
\$100	\$10	\$90
\$100	\$9	\$91
\$100	\$8	\$92



What's the Cost?

What can I learn...



Credit Score



Comparing Credit Card Offers

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Compare Credit Card Offers

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How can I learn...

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If the minimum payment is made...

If the minimum payment is made...

What's the Cost?

What's the Cost?

How can I learn...

Questions?

You Did It!

How can I learn...

How can I learn...

# To Your Credit



This presentation is based in part of FDIC MoneySmart and NextGen Personal Finance





**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 credit is.
- How to manage credit responsibly.
- What credit reports and credit scores are.
- How to build and improve your credit score.



# How we'll do this...

- Active participation!
- Be engaged. Ask questions and participate in discussions.
- Respect each others thoughts, perspectives, and contributions.
- Maximize your experience by using the workbook.
  - Take notes and complete activities.
- Have fun while learning!



# 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
- Accessibility is based on your borrowing history





# Why does credit matter?

Managing credit responsibly can lead to ...



# Why does credit matter?

Managing credit responsibly can lead to ...

- Lower interest offers on loans.
- Easier vehicle financing.
- Low cost/no cost security deposit with rental properties.
- Home-buying power.
- Higher credit scores can sometimes favorably impact your job prospects.



**Many people use credit for...**

# Many people use credit for...



## AUTO LOANS

Loans from financial institutions used to purchase a vehicle; paid back in installments.



## MORTGAGES

Loans used to purchase a home or commercial space.



## PERSONAL LOANS

Loans taken for general purposes, (debt consolidation, personal needs, etc.)



## STUDENT LOANS

Loans to help learners cover post-secondary educational costs.



## CREDIT CARDS

Cards used to make purchases with funds loaned from the card issuer.



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Cards used to make purchases with funds loaned from the card issuer.

# Credit Card Vocabulary



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

# Sample Credit Card Statement

**CARD Statement**

Account Number 1234 1234 1234 1234  
 Statement Closing Date 07/09/2024  
 Credit Line \$2,100.00  
 Available Credit \$1,576.80

**Available Credit**  
 TERESA TORRES  
 123 ANY STREET  
 CITY WI 12345

**Grace Period** (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	08/01/2024

**Late Payment Fee** (4) →

**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)

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

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 08/01/24

**Amount Enclosed** \$

PAYMENT ADDRESS  
 123 ANY STREET  
 CITY WI 53000-0348

TERESA TORRES  
 123 ANY STREET  
 CITY WI 12345

**APR** ① →

Corresponding  
ANNUAL  
PERCENTAGE  
RATE

**Type of Balance**

PURCHASES

19.80%

CASH ADVANCE(S)

21.80%

**T**



Grace  
Period

2

Account Number	1234 1234 1234 1234
Statement Closing Date	07/09/2024
Credit Line	\$2,100.00
Available Credit	\$1,576.80

3

### Account Summary

Previous Balance	\$1,686.15
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**Late Payment**  
the date listed  
your APR's will  
29.99%

**Minimum Payment**  
each period,  
off your balance

If you make no  
charges using  
and each month

Only the minimum  
payment

\$49

# People Credit Cards

## CARD Statement

Available Credit

Account Number	1234 1234 1234 1234
Statement Closing Date	07/09/2024
Credit Line	\$2,100.00
Available Credit	\$1,576.80

3

TERESA TOR  
123 ANY STR  
CITY WI 12345

<b>Account Summary</b>	
Previous Balance	\$1,686.15
- Credits	\$0.00

**Late Payment Warning:** If we do not receive your payment by the date listed above, you may have a late payment. Your APR's will be subject to increase to 29.99%

3

TERESA TORRES  
123 ANY STREET  
CITY WI 12345

4

Late Payment Fee

**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:

# Timeline of a Credit Card Balance

Take advantage of your grace period to avoid interest charges!



Payment due date

Minimum payment

Statement balance

Automatic pay

Current balance

The screenshot shows a credit card statement interface. At the top, there is a card image and the current balance of \$186.15. Below this, a video thumbnail of a woman is visible. The main section is titled 'Your payments' and lists the following items:

Item	Amount
Payment due date	Jun 18, 2022
Minimum payment due	\$40.00
Statement balance	\$186.15
Automatic payment	Manage
Current balance	\$186.15
Available credit	\$12,013.05
Total credit limit	\$13,000.00
Next closing date	Jun 23, 2022
Purchase APR (as of May 20, 2022)	15.74%
Cash advance APR (as of May 20, 2022)	25.74%

At the bottom, there is a 'Hide details' link.

Jun 18, 2022

\$40.00

\$186.15

Manage >

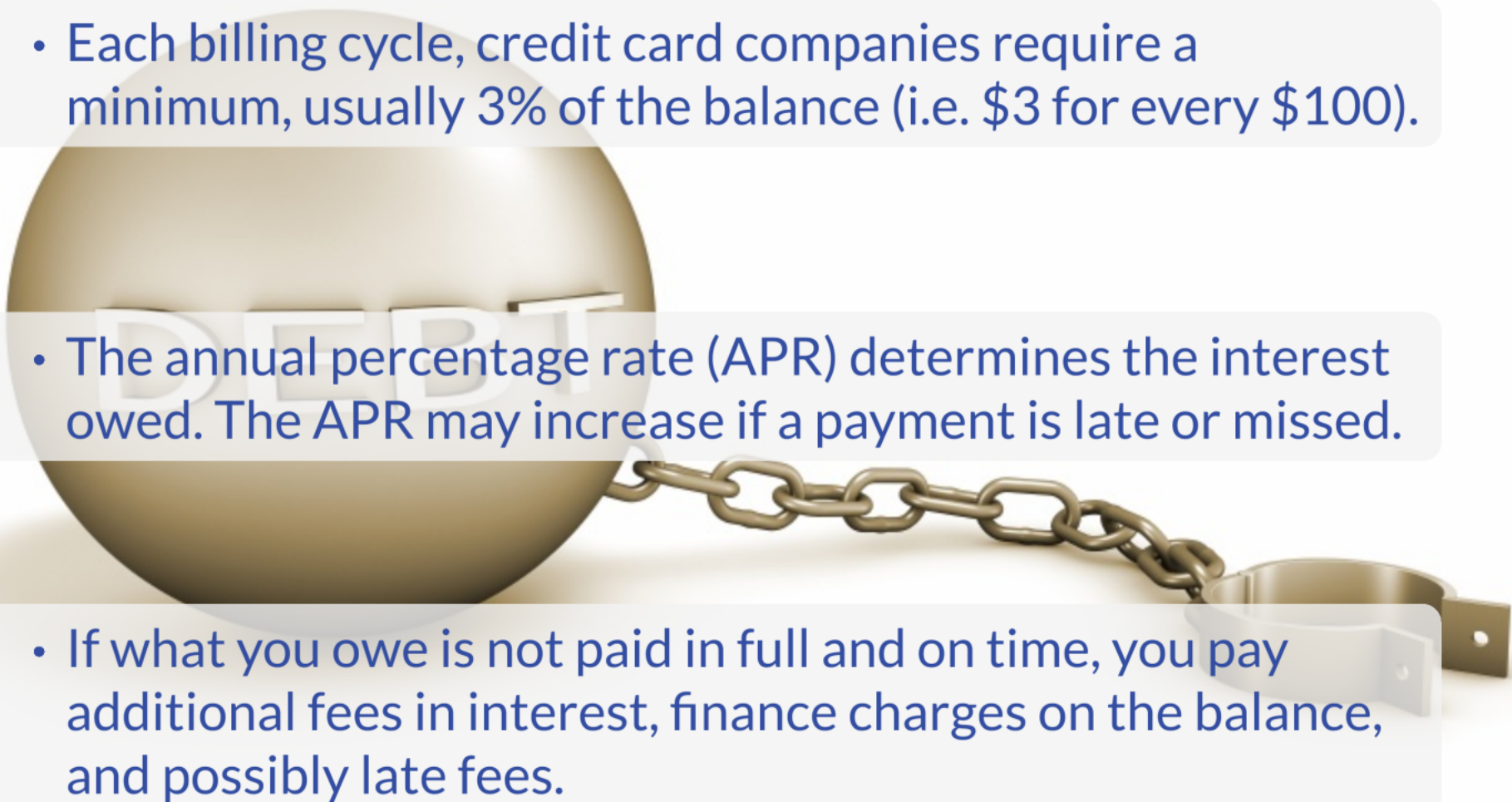
\$186.15

\$12,013.05

# What's the Catch?



# What's the Catch?

- 
- Each billing cycle, credit card companies require a minimum, usually 3% of the balance (i.e. \$3 for every \$100).
  - The annual percentage rate (APR) determines the interest owed. 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 additional fees in interest, finance charges on the balance, and possibly late fees.

# 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	Time to Pay Off
Air Pods	\$250	\$35	\$18	\$268	???
PS5	\$500	\$35	\$75	\$575	???
Summer Vacation	\$3,000	Starts at \$90	\$1,392	\$4,392	???



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Item	Price	Min. Monthly Payment (3% of balance or at least \$35)	Interest Paid (19.8% APR)	Total You Pay Over Time	Time to Pay Off
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Summer Vacation	\$3,000	Starts at \$90	\$1,392	\$4,392	???

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Summer Vacation	\$3,000	Starts at \$90	\$1,392	\$4,392	???

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Summer Vacation	\$3,000	Starts at \$90	\$1,392	\$4,392	4 years

# The benefit of paying MORE than the minimum payment

PS5 Original Balance	Monthly Payment	Total Time to Pay Off	Total Amount Paid
\$500	\$35	1 year, 5 mo	\$574
\$500	\$75	8 months	?
\$500	\$500	1 month	?

# The benefit of paying MORE than the minimum payment

PS5 Original Balance	Monthly Payment	Total Time to Pay Off	Total Amount Paid
\$500	\$35	1 year, 5 mo	\$574
\$500	\$75	8 months	\$534
\$500	\$500	1 month	?

# The benefit of paying MORE than the minimum payment

<b>PS5 Original Balance</b>	<b>Monthly Payment</b>	<b>Total Time to Pay Off</b>	<b>Total Amount Paid</b>
<b>\$500</b>	<b>\$35</b>	<b>1 year, 5 mo</b>	<b>\$574</b>
<b>\$500</b>	<b>\$75</b>	<b>8 months</b>	<b>\$534</b>
<b>\$500</b>	<b>\$500</b>	<b>1 month</b>	<b>\$500</b>

**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%**





# Compare Credit Card Offers





## 3 Comparing Credit Card Offers

Work with a partner to select the card that is the best fit.

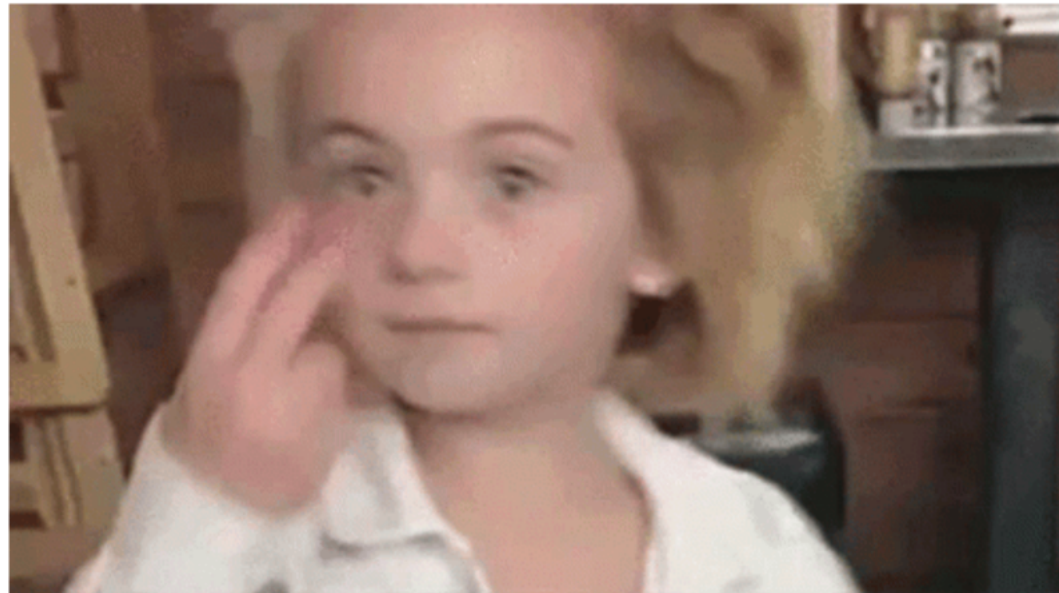
	 <b>Card A</b>	 <b>Card B</b>	 <b>Card C</b>
Annual Fee	\$0	\$50	\$0
Introductory Rate	None	0% for 6 months	0% for 12 months
Interest Rate	17.5%	13.9%	15.2%
Late Payment Fee	\$45	\$0 for the 1st late payment, then \$41	\$41
Over-the-Limit Fee	None	\$35	None
Rewards	Travel points for air and hotel	None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

*So, how's your credit?*



*And why does it matter?*

Your spending and payment habits are always under scrutiny and it's all tracked on your...



# Credit *Report*

# Credit *Report*

=

A detailed record of how  
you have repaid your  
debts

# 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> 



# What is on a credit report?

## *It lists:*

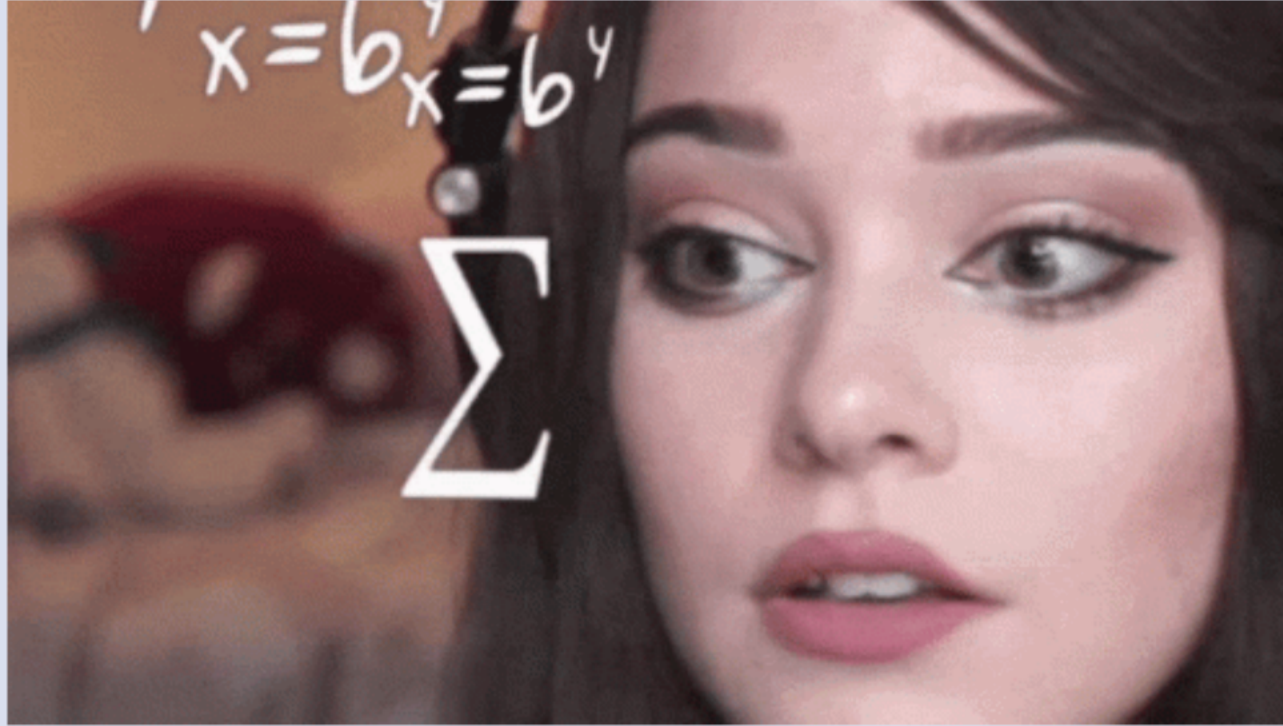
- What types of credit you use
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- How much credit you've used
- Whether you're seeking new sources of credit

**EQUIFAX**<sup>®</sup>

experian<sup>™</sup>

TransUnion<sup>®</sup> 

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



Credit rating companies crunch all these numbers to make your...

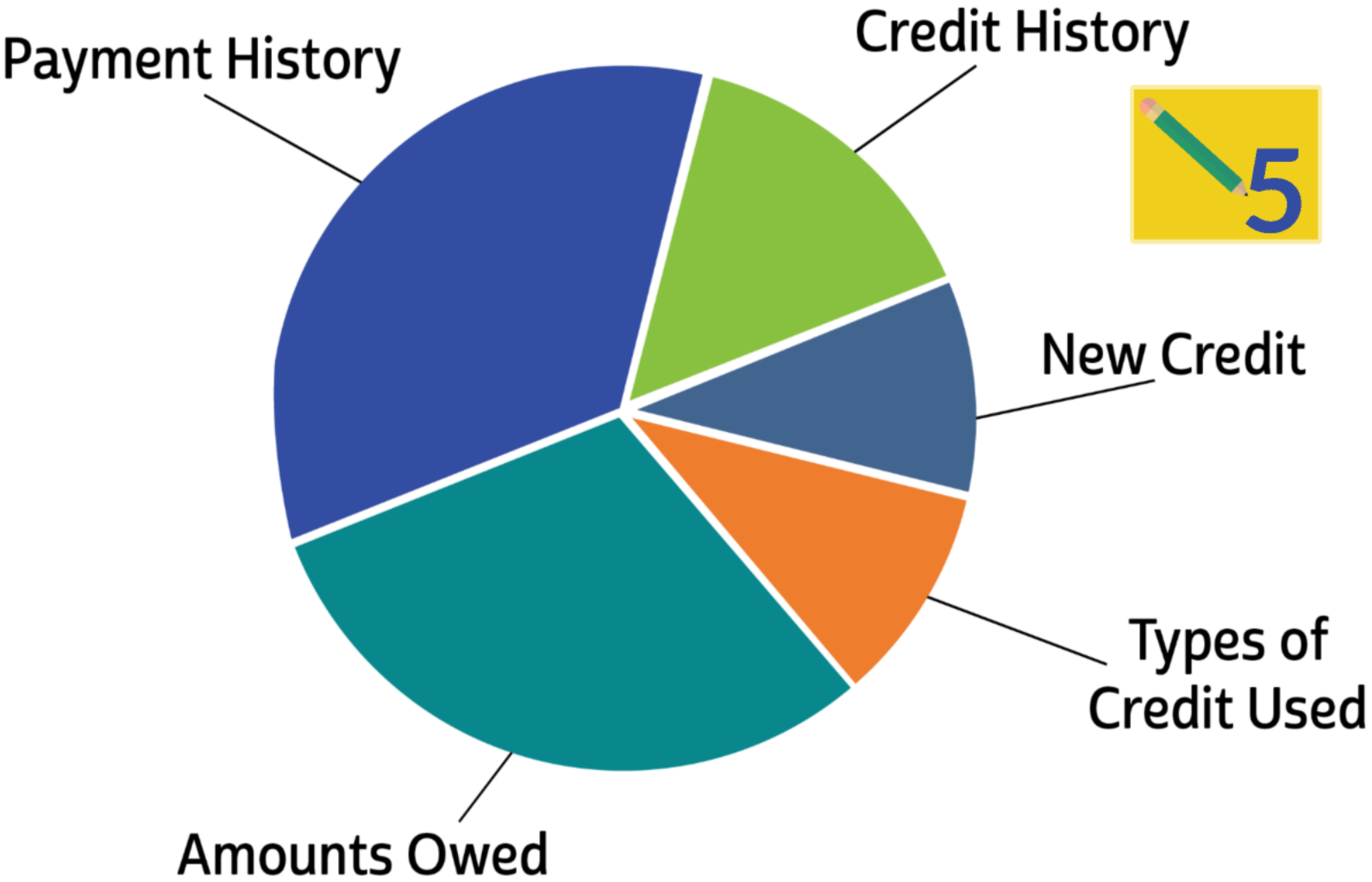


# Credit *Score*

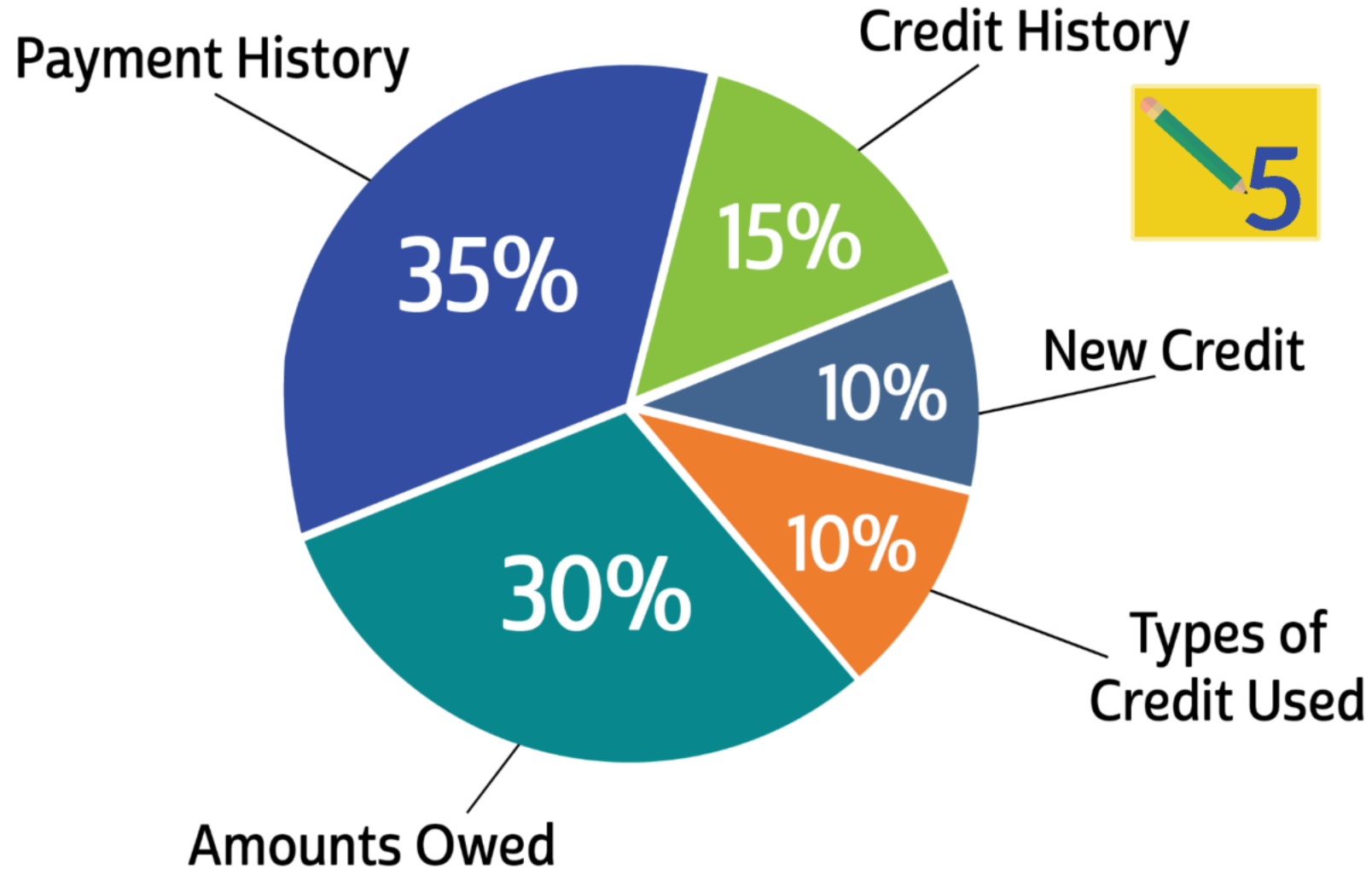
# Credit Score =

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.

# Auto Loan



4-year used car loan for \$15,000



# Auto Loan

How can 2 people pay different amounts for the same car?



4-year used car loan for \$15,000

<b>FICO Score</b>	<b>APR</b>	<b>Monthly Payment</b>	<b>Total Interest Paid</b>
<b>720-850</b>	7.85%	\$365	\$2,527
<b>690-719</b>	9.02%	\$373	\$2,925
<b>660-689</b>	10.98%	\$388	\$3,602
<b>620-659</b>	11.92%	\$394	\$3,934
<b>590-619</b>	15.29%	\$420	\$5,145
<b>500-589</b>	16.48%	\$429	\$5,581
<b>&lt; 500</b>	<b>May need to find another form of financing</b>		

*Actual Rates as of 9/25/24 (myfico.com)*

**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 up with my Credit Score?

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



1. Listen to each scenario.
2. For each scenario, decide if your credit score goes up or down.
3. Discuss your answers.



# Scenario #1

You skipped a credit card payment.  
Up or down?



[CNBC Select - 5 Reasons Your Credit Score Could Drop](#)



# Scenario #1

You skipped a credit card payment.  
Up or down?



Your score could go  
down 63-83 points.

[CNBC Select - 5 Reasons Your Credit Score Could Drop](#)

## Scenario #2

You take out a credit builder loan and make 12 consecutive on-time payments.  
Up or down?



## Scenario #2

You take out a credit builder loan and make 12 consecutive on-time payments.  
Up or down?

Your score may go up as much as 60 points.



## Scenario #3

You completely paid off a credit card and will only use it for emergencies.

Up or down?



## Scenario #3

You completely paid off a credit card and will only use it for emergencies.

Up or down?



Your score could go up 10 points or more.

## Scenario #4

You closed a credit card that you've had for eight years and no longer use.  
Up or down?



## Scenario #4

You closed a credit card that you've had for eight years and no longer use.  
Up or down?



Your score may go down a few points.

# Scenario #5

You missed a car payment by 2 days.  
Up or down?





## Scenario #5

You missed a car payment by 2 days.  
Up or down?



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



# Ways to Establish Your Own Credit History and Score

**If you are under 21, ask a family member with good credit to add you as an authorized user on their credit card.**

- Pick someone you trust. If they don't pay the bill, your credit history will be impacted.
- Once removed from the card, your credit score will drop slightly if you do not open your own card.

**Other options:**

- Apply for a store credit card and use it responsibly.
- Apply for a secured credit card at your bank or credit union.
- Ask a friend or relative with an established credit history to be a co-signer on a credit card or loan.

# Common Mistakes That Hurt Your Credit



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!)



# 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.	<i>Create your action plan!</i>
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 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	

Credit Score	<p>time. I will always pay more than the minimum required.</p> <p><input type="checkbox"/> I will not apply for multiple credit cards in short periods of time.</p>	
Credit Report	<p><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></p> <p><input type="checkbox"/> I will address any problems or inaccuracies I find on my credit reports with the credit reporting agencies.</p>	
Building a Good Credit History	<p><input type="checkbox"/> I will consider the following when I am financially ready and responsible to help build a good credit history and score:</p> <ul style="list-style-type: none"><li><input type="radio"/> Applying for a store credit card and using for periodic purchases.</li><li><input type="radio"/> Talking to my bank or credit union about opening a secure credit card.</li><li><input type="radio"/> 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>	



# Questions?



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**Please complete the evaluation  
found in your student workbook.**

