

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 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.



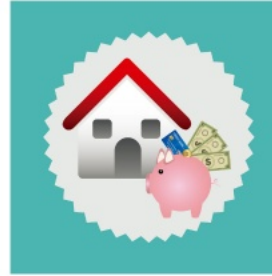
Many people use credit for...

Many people use credit for...



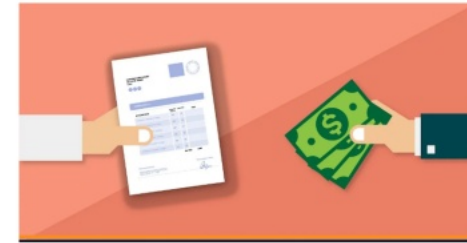
AUTO LOANS

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.



CREDIT CARDS

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

Grace Period

2

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

TERESA TORRES
123 ANY STREET
CITY WI 12345

Account Summary

Late Payment Fee

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)

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

Payment Information

Rate Information

New Balance \$523.20
Scheduled Minimum Payment \$35.00
Scheduled Payment Due Date 08/01/2024

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

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

Days in Billing Cycle 30

Transactions

APR 1

Trans Post Reference Number Description Credits Charges
06/11 06/11 xxxxxxxxxxxxxxxxxxxxxxxx MERCHANT NAME 532.20
06/12 06/13 xxxxxxxxxxxxxxxxxxxxxxxx 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%

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
- 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
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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

Sample Credit Card Statement

CARD Statement

Available Credit

Account Number	1234 1234 1234 1234
Statement Closing Date	07/09/2024
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3

TERESA TORO
123 ANY STREET
CITY WI 12345

Account Summary

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- Credits	\$0.00

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3

TERESA TORRES
123 ANY STREET
CITY WI 12345

4

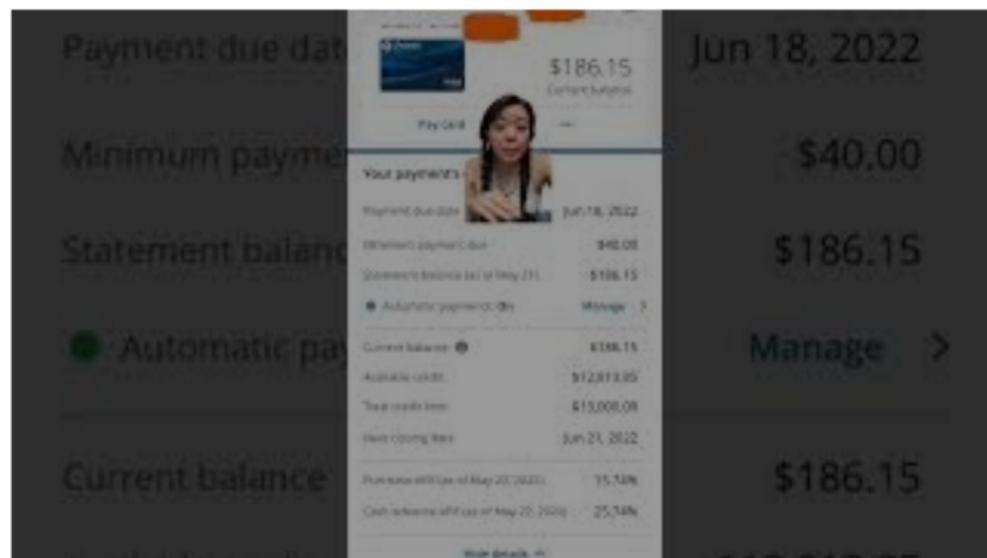
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Timeline of a Credit Card Balance

Take advantage of your grace period
to avoid interest charges!



Payment due date

Minimum payment

Statement balance

Automatic pay

Current balance

Available credit



A screenshot of a Bank of America credit card statement. At the top, it shows a credit card image and the current balance of \$186.15. Below this, there's a section for 'Your payments' with a due date of Jun 18, 2022, and a minimum payment of \$40.00. The statement balance is listed as \$186.15. There's a section for 'Automatic payments' with a 'Manage' link. The current balance is also listed as \$186.15. Other details include the available credit (\$12,813.85), the total credit limit (\$13,000.00), the next billing date (Jun 21, 2022), the purchase APR (15.34%), and the cash advance APR (25.34%). A 'Hide details' link is at the bottom.

Bank of America

Current balance \$186.15

Pay Card

Your payments

Payment due date Jun 18, 2022

Minimum payment \$40.00

Statement balance \$186.15

Automatic payments Manage

Current balance \$186.15

Available credit \$12,813.85

Total credit limit \$13,000.00

Next billing date Jun 21, 2022

Purchase APR (as of May 20, 2022) 15.34%

Cash advance APR (as of May 20, 2022) 25.34%

Hide details

Jun 18, 2022

\$40.00

\$186.15

Manage >


\$186.15

\$12,813.85

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	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

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	\$500

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%



What are the benefits of using a credit card?



What are the benefits of using a credit card?

- Convenience, you can add a credit card to your phone
- Make a monthly payment for several purchases made during the prior month
- Using a card responsibly helps you build a good credit history
- Can be used in emergency situations to cover an expense that has to be paid now



Compare Credit Card Offers





3 Comparing Credit Card Offers

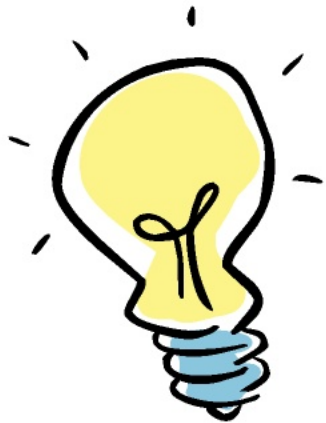
Work with a partner to select the card that is the best fit.

	 Card A	 Card B	 Card C
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

Credit Card Tips



- Avoid carrying a balance
- If you carry a balance, stay below the recommended usage percentage (30%)
- 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?

END PART 1

Let's Review



1. What is Credit?

2. What is APR?

Let's Review



1. What is Credit?

Money that is loaned to you, paid back with interest.

2. What is APR?

Let's Review



1. What is Credit?

Money that is loaned to you, paid back with interest.

2. What is APR?

Annual Percentage Rate - the interest rate charged yearly on 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®

 **experian**™

TransUnion® 

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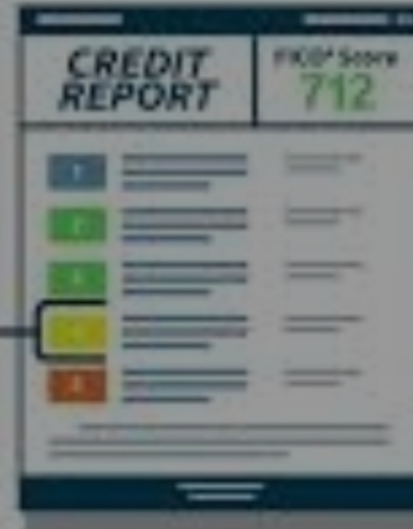
This info is used to generate your credit scores!

Video

annualcreditreport.com

WHAT'S INCLUDED?

Trade Lines

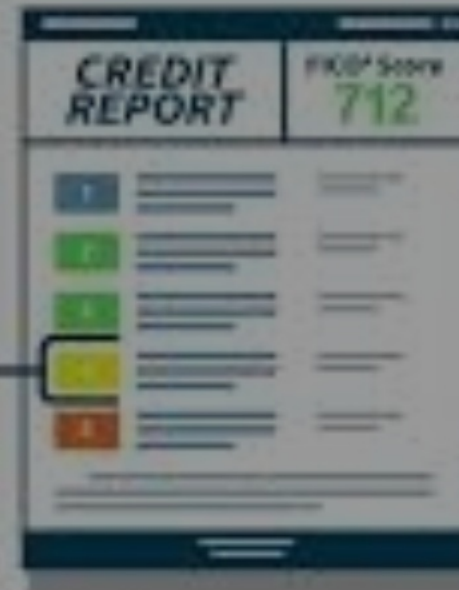


Video

annualcreditreport.com

WHAT'S INCLUDED?

Trade Lines

A smartphone screen displays a credit report. The title "CREDIT REPORT" is at the top left, and the "FICO® Score 712" is at the top right. Below the header is a table with five rows, each starting with a colored square (blue, green, green, yellow, orange) and followed by text. A line connects the yellow square to the "Trade Lines" text on the left.

CREDIT REPORT		FICO® Score 712
1
2
3
4
5

Review a Credit Report





1

2

3

4

5

6

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



SecureFutures

SAMPLE CREDIT REPORT



Credit Reporting Agency
Business Address
City, State 12345

1

Personal Identification Information

Your Name
123 Current Address
City, State 12345

Social Security # 123-45-6789
Date of Birth: May 1, 1993

Previous Address(es)
456 Old Address, City, State 12345
789 Older Address, City, State 67890

Last Reported Employment:
Program Manager, SecureFutures

2

Public Record Information

Bankruptcy Filed 12/20 Milwaukee County; Case ID 765432
Liabilities - \$15,200; Personal; Individual; Discharges; Assets - \$750

Satisfied Judgement Filed 07/22; Dane County; Case ID 234567
Defendant – Consumer; Amount - \$9,342; Plaintiff – XYZ Real Estate; Satisfied 08/22; Verified 09/22

3

Collection Agency Account Information

Collection Agency (800) 123-4567

Collection Reported 05/19; Assigned 07/19 to Collection Agency; Client – St. Luke’s Hospital;
Amount \$1,040; Paid collection amount

4

Credit Account Information

								As of Date Reported			
Company Name	Account Number	Whose Acct.	Date Opened	Months Reviewed	Last Activity	High Credit	Terms	Balance	Past Due	Status	Date Reported
Best Buy	12345	I	04/15	36	04/18	\$500	X	\$0	X	O1	1/18
Payment History: 11111111111111111111211111111111111132211											
EZ Auto Finance	987654	I	07/18	48	07/24	\$15000	\$300	\$0	X	I1	9/24
Payment History: 433232111111111111112111111111111122211111111111111											

5

Companies that Requested Your Credit File

12/30/19 Experian-Disclosure

04/08/15 Best Buy

07/10/18 EZ Auto Finance

02/18/15 Credit Card Company

06/08/18 Bank

6

FICO Score

625 (reports from annualcreditreports.com DO NOT contain your credit score)

3

Collection Agency Account Information

Collection Agency (800) 123-4567

Collection Reported 05/19; Assigned 07/19 to Collection

Amount \$1,040; Paid collection amount

Payment history key

1=Pays as agreed

2=30-59 days past the due date

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Credit Account Information

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Companies that Requested Your Credit File

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07/10/18 EZ Auto Finance

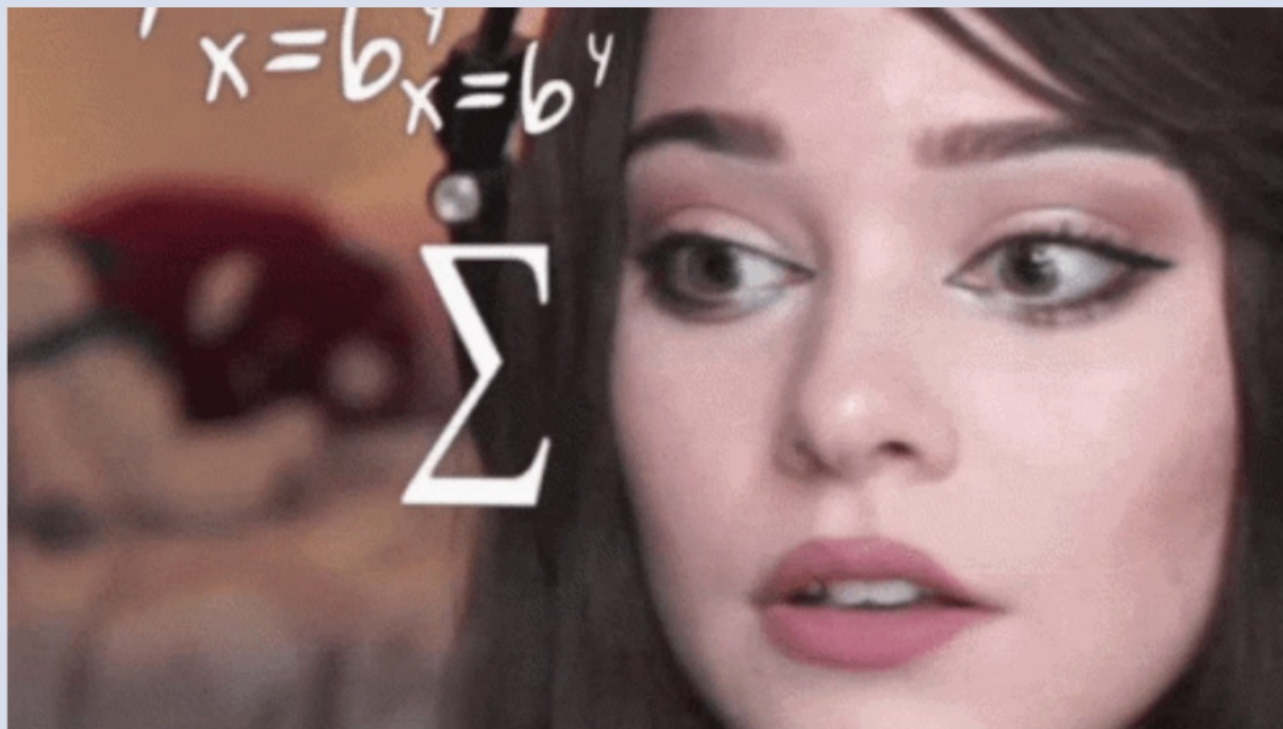
02/18/15 Credit Card Company

06/08/18 Bank

6

FICO Score

625 (reports from annualcreditreports.com DO NOT contain your credit score)



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.

Video



Total Debt

30%



FICO® Scores

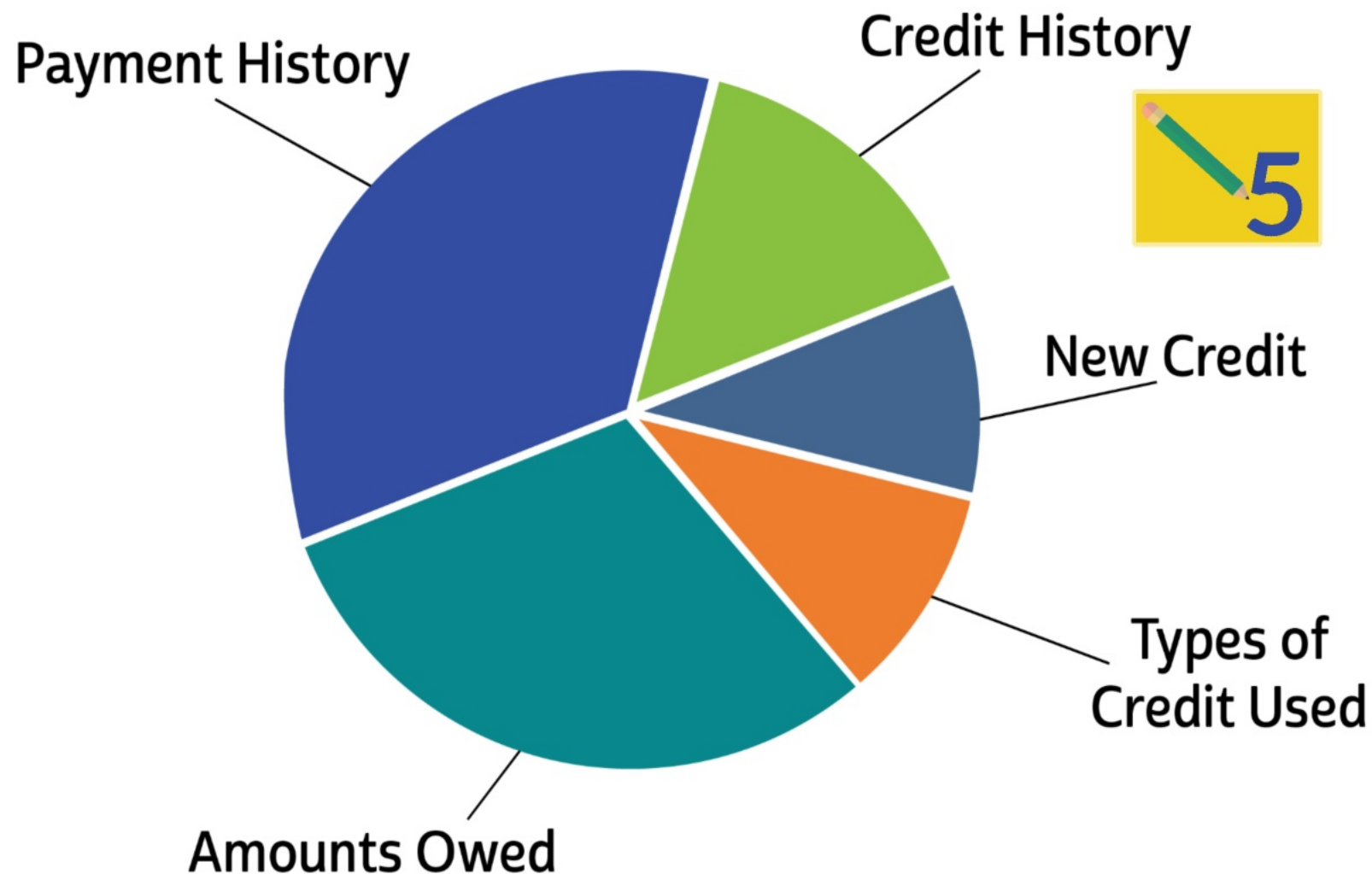
667

Good

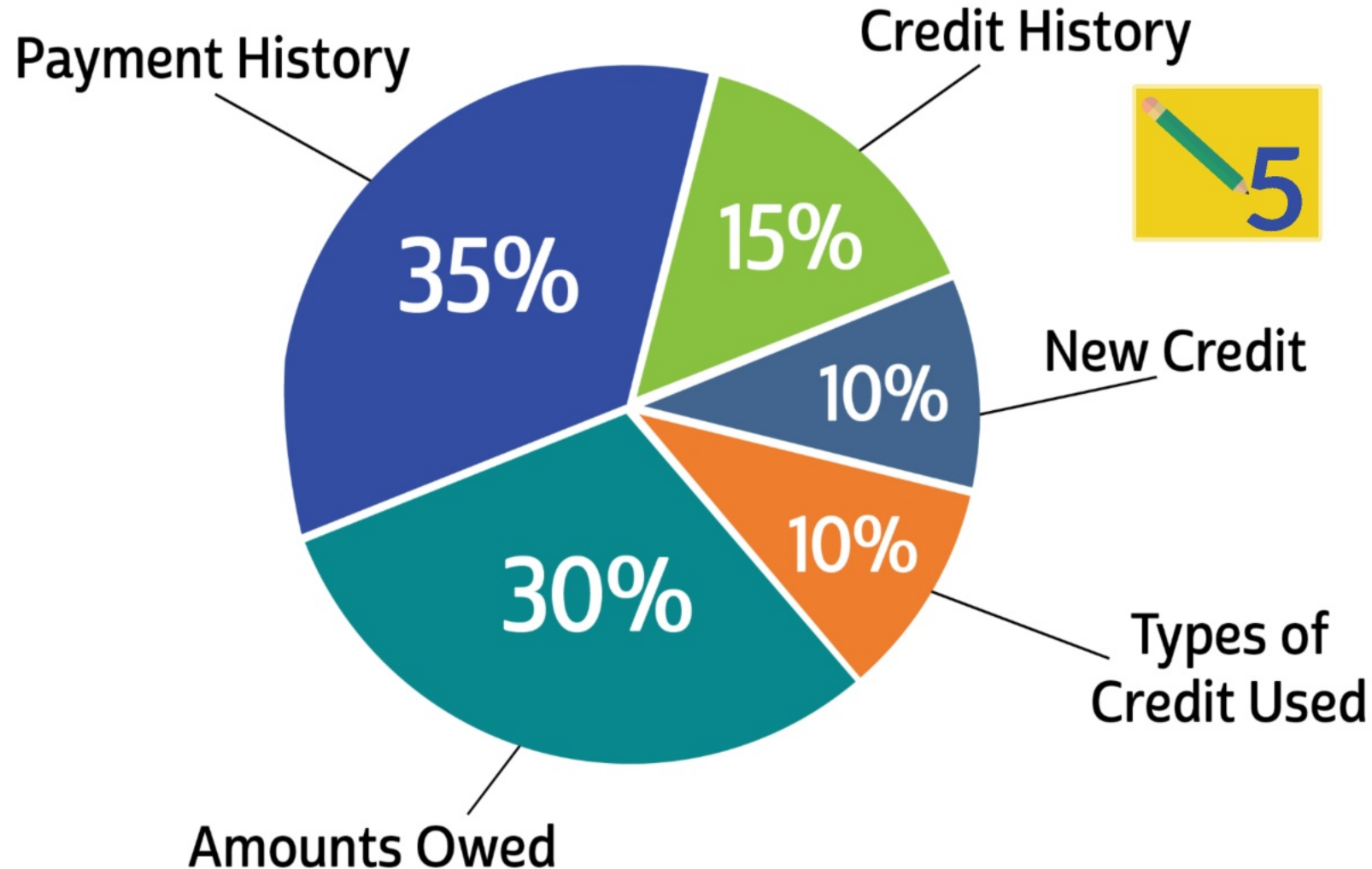
500 850



What's in your credit score?



What's in your credit score?



What does **NOT** factor
into your credit score?

What does **NOT** factor into your credit score?

- ✗ Your age.
- ✗ Your race, religion, national origin, sex, or marital status.
- ✗ Your salary, occupation, title, employer, or employment history.
- ✗ Where you live.
- ✗ Any interest rate being charged on a credit card or other account.

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

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

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



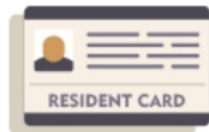
Opening too many new accounts or loans in a short period of time



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!)

Things That Boost Your Credit Score



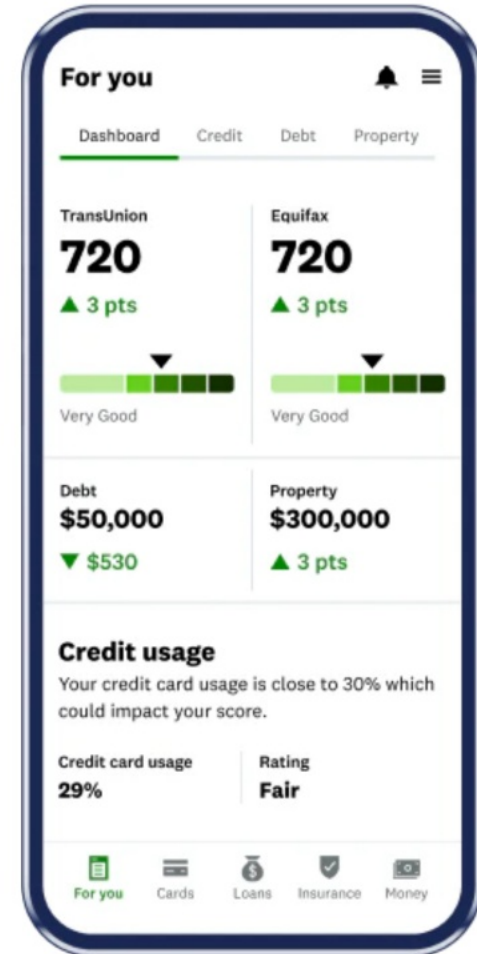
Ways to Monitor Your Credit Score

When building credit, be sure to check your progress.

Financial institutions
Creditkarma.com

3 Credit Bureaus

- Experian.com
- Equifax.com
- Transunion.com






Go Do It Now!

Financial Issue	Best Practices to Help Manage Money Responsibly	My Financial To Do List
Credit Cards	<ul style="list-style-type: none"><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	<ul style="list-style-type: none"><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	<ul style="list-style-type: none"><input type="checkbox"/> I check my credit report at AnnualCreditReport.com 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	<ul style="list-style-type: none"><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">○ 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.)	

Create your action plan!

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 AnnualCreditReport.com 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 AnnualCreditReport.com 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">○ 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.)	



Questions?



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