WHAT IS CREDIT

CREDIT IS YOUR ABILITY TO BORROW MONEY FROM LENDERS. IF YOU HAVE CREDIT, YOU HAVE DEBT. HOWEVER, YOU NEED CREDIT FOR MANY OF LIFES BIG PURCHASES.

Credit is an agreement between you and a lender, where the lender gives you a certain amount of money that you agree to pay back. You can use it to purchase items in the present, and make payments on that purchase over the course of time.

Pros

Financial Reputation

By building good credit, lenders can trust you to make payments for larger purchases and give you better interest rates.

Future Opportunities

Need to show credit score for things like apartment renting & car buying

Use Wisely

Only use the money you already have. Pay off your balances every month in full by only purchasing what you need and have the means to purchase.

For example, select something you buy every month like groceries or gas and only put those purchases on your credit card. Determine the amount you spend on your budget , and pay off in full every month.

Cons

Maxing Out Cards

If your cards are maxed out, it may mean you are living outside of your means. This also negatively impacts credit scores.

Too Much Debt

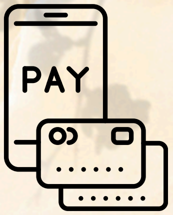
It can be easy to think of credit as free money. IT IS NOT! Too many or too high of monthly payments can impact you month to month and make it hard to pay back.

Extra Costs

You don’t just pay back the amount you paid for an item. There are additional fees, interest rates, and penalties for missed payments, which increase the total amount. Also, by only making minimum payments it can take you years to pay off even a low amount due to interest.

CREDIT IS A TOOL, IT IS NOT FREE MONEY!

USING CREDIT RESPONSIBLY



1

Only charge what you can afford.

Try to pay off your full balance. Put those things you were already going to purchase on your card, like gas or a bill.

2

Make your payments on time

Late payments will bring down your score and result in additional fees. Track payments and make them on time each month.

3

Avoid impulse buying

Don’t think of credit as free money. You want to build credit, not debt. Create a budget and try your best to stick to it.

4

Keep you balance under 30%

Don’t max out your cards, this negatively impacts your score and can make it hard to pay your card off.

5

Avoid adding new debt

Opening new accounts negatively affects length of credit history & increases total debt. This should be done strategically when you are ready.

6

Keep old accounts open

Don’t close old accounts that have a credit line but you are not using. Let them sit there and stay open to increase your overall credit amount.

7

Diversify credit type

Holding different types of credit, like credit cards and loans, shows you can handle finances responsibly. Only do this when fully ready.

8

Check your credit score.

Use a credit reporting agency to get your yearly free credit report. Your bank or credit union will also have a way to track your credit score.

WHAT IMPACTS YOUR CREDIT SCORE

1 Payment History

Paying on time is important to keeping your score up. Missed or late payments can drop your score.

2 Amount Used

How much of your credit are you using? The closer you get to maxing out your credit, the more negatively it will impact your score. Try to use about 30%.

3 Length of Credit History

The longer your credit history is, the better. This shows lenders you can make consistent payments over an extended period of time.

4 Mix of Credit Types

The more diverse your credit, the better. Credit cards, loans (car, personal, etc.), all qualify. The ones with lowest impact are store specific cards, but they can also be the easiest to get.

5 New Credit

Don’t over-do it. New credit can negatively impact your credit history.

WHAT DOES YOUR CREDIT SCORE MEAN?

May struggle getting loans or credit cards and will have higher interest rates

More likely to qualify, especially if in top half

Great place to be. Easy to qualify for loans/credit cards with good rates.

Will qualify for most types of credits at the lowest interest rates.

More options and best offers, including lines of credit.

WHERE CAN YOU CHECK YOUR SCORE?

- Equifax
- Experian
- TransUnion
- Credit Karma
- Your Bank/Credit Union
- annualcreditreport.com

Experian.com

What to Know About Interest

What is interest?

Interest is a fee that is paid on the amount of money you borrow. Every month when you make a payment on your credit card or loan, part of that money goes towards what you borrowed, and the rest is to cover your interest.

What is an interest rate?

An interest rate is the percentage that the lender sets to determine how much your interest will be. It is the cost of borrowing money and will be a percentage that is charged every month to your balance.

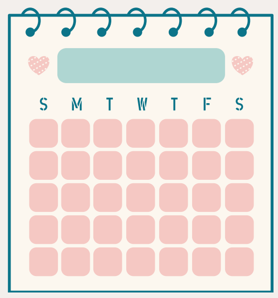
How is it determined?

Many factors impact the interest rate you receive; the larger economic climate in the state and federal government and your personal credit score are two of the biggest factors.

How does it impact repayment?

Interest increases your total repayment amount. It is the cost of taking out credit cards or loans, so it is a normal part of building and maintaining credit. However, being well prepared can help you decrease the overall cost and make sure you don't get stuck in minimum payment cycles with the majority of your money going to cover interest every month.

%



Principle (what you borrow) X Interest Rate X Time (length you borrow) = Interest

X 24 % X

= 240