

## Credit Presentation Student Note Guide

Name: \_\_\_\_\_

Repeatedly making minimum payments will increase the amount of time it takes to repay your credit card debt and costs you \_\_\_\_\_ money in \_\_\_\_\_ charges.

### Why People Use Credit

- For: \_\_\_\_\_, \_\_\_\_\_ & \_\_\_\_\_.
- To: \* \_\_\_\_\_ \*
- \* \_\_\_\_\_ \*
- \* \_\_\_\_\_ \*

### The Downside of Credit Use

- Interest is \_\_\_\_\_
- It is tempting to \_\_\_\_\_
- Use of credit \_\_\_\_\_ financial flexibility WHY????

### Types of Credit

- \_\_\_\_\_ **-End Credit**
  - For a specific \_\_\_\_\_ and \_\_\_\_\_
    - \_\_\_\_\_ loans
    - Home \_\_\_\_\_
- **Open-End Credit**
  - Use as needed \_\_\_\_\_ is reached, \_\_\_\_\_
    - \_\_\_\_\_ credit cards such as: \_\_\_\_\_ and \_\_\_\_\_ cards, for example:
- **Travel and Entertainment Cards**
  - allows holders to make purchases at numerous businesses, **but the \_\_\_\_\_ balance charged must be repaid within \_\_\_\_\_ days.**

### Interest is Costly

- Interest – the \_\_\_\_\_ of credit.
- \_\_\_\_\_ Charge – the \_\_\_\_\_ dollar amount paid to \_\_\_\_\_ credit.
- Annual Percentage Rate (APR) – the cost of credit on a \_\_\_\_\_ basis as a percentage rate.
- \_\_\_\_\_ Interest Rates – go up and down (perhaps monthly) to reflect interest rate \_\_\_\_\_ in the economy as a whole.

### The Credit Approval Process: Applying for Credit

- Credit Application – a \_\_\_\_\_ and/or \_\_\_\_\_ requesting information on your \_\_\_\_\_ and willingness to repay debts.
  - Based on 5 C's: \_\_\_\_\_, **capacity**, \_\_\_\_\_, \_\_\_\_\_ **and conditions.**
- AGE \_\_\_\_\_ for major cards unless you can prove \_\_\_\_\_ regular income or a parent \_\_\_\_\_
  - Some stores will give an 18 year old credit with a \_\_\_\_\_ limit (under 1,000)

### The Credit Approval Process: The Credit Investigation

- Credit \_\_\_\_\_ – conducted by the lender and used to assign a credit \_\_\_\_\_ to the applicant.
- Credit Rating – the lender's evaluation of the applicant's \_\_\_\_\_. (5 C's)
- Credit Report – credit \_\_\_\_\_ as reported by a credit \_\_\_\_\_ (s).
- Credit \_\_\_\_\_ – company (3 in U.S.) that gathers credit \_\_\_\_\_ information about consumers from lenders and \_\_\_\_\_ the reports to the lenders.

- Credit \_\_\_\_\_ (or Risk Scoring) – a statistical measure used to rate applicants on the basis of various factors deemed relevant to creditworthiness and the \_\_\_\_\_ of \_\_\_\_\_.

### About FICO Scores

- FICO Scores – the factors that are used in them are shared openly by Fair, Isaac and Company on the company’s website: \* \_\_\_\_\_ perfect score

Based on: \* \_\_\_\_\_ \*  
 \* \_\_\_\_\_ \* \_\_\_\_\_ \*

### Building a Credit History

- Establish both a \_\_\_\_\_ account and a \_\_\_\_\_ account.
- Have your \_\_\_\_\_ phone plan and other \_\_\_\_\_ billed in your name.
- Request, acquire, and use a \_\_\_\_\_ company credit card.
- Apply for a \_\_\_\_\_ credit card.
- Pay off \_\_\_\_\_ loans.
  - \_\_\_\_\_ *does not erase* \_\_\_\_\_ *loan debts.*

### Managing Your Credit Bureau File

- \_\_\_\_\_ Credit \_\_\_\_\_ Act (FCRA) – requires that reports contain \_\_\_\_\_, relevant, and recent information.
- If you find an error or omission, you should immediately take \_\_\_\_\_ to correct the information:
  - Notify the credit bureau that there are errors.
  - The bureau must reinvestigate the information within \_\_\_\_\_ days.
  - \_\_\_\_\_ information in your file is generally not reportable after a period of \_\_\_\_\_ years.

### Late-Payment, Bounced Check, and Over-the-Limit Fees

- Late payment charges vary but can be up to \$50 if the \_\_\_\_\_ is late
- Bounced check fees are usually \$ \_\_\_\_\_
- Over-the-limit fees are usually around \$20-\$50

### Golden Rules of Credit Use

1. \_\_\_\_\_ your credit reputation just as you would guard your personal reputation.
2. Obtain copies of your credit bureau reports \_\_\_\_\_ year, and challenge all errors or omissions.
3. Obtain the \_\_\_\_\_ APRs possible when opening credit accounts. If necessary, move credit card balances to lower-cost accounts.
4. Pay your credit cards \_\_\_\_\_ each month. Never make \_\_\_\_\_ purchases on bank credit cards on which you carry a balance.
5. Always \_\_\_\_\_ your monthly billing statements against \_\_\_\_\_ to ensure their accuracy. Challenge all \_\_\_\_\_.