

Credit 101: *Do You Pass the Test?*

*Brought to you by
Town & Country
Credit Union*



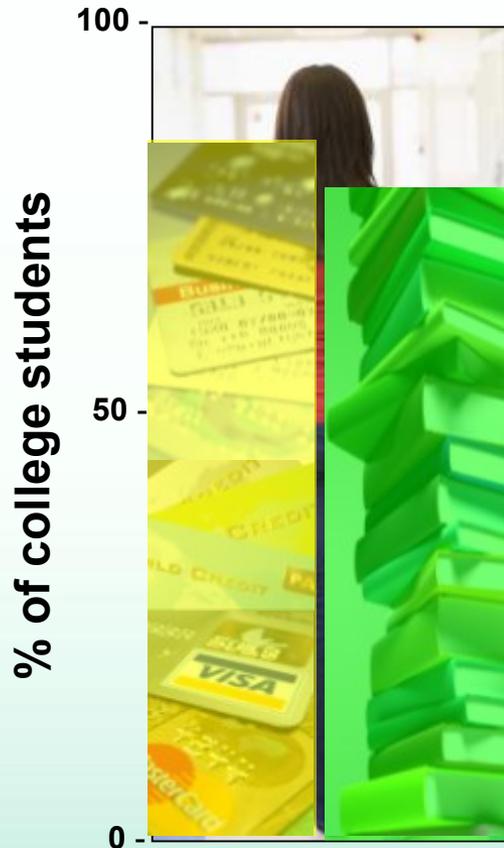
Objectives

Learn:

- **Why you should care about credit**
- **What the credit CARD Act of 2009 means for you**
- **Tips for using credit wisely ... *for life***
- **How to build a solid credit history**
- **What to do if you lose your credit card**



Why should you care?



Have credit
Used credit for
College stuff



% of college students with
\$0 credit card balance

"How Undergraduate Students Use Credit Cards," Sallie Mae, 2009.



How does CARD Act protect you?



Cosigner may be required



No unsolicited hike in credit limit

No more T-shirts



Opt-in required to get offers



**45-day notice required
prior to rate increase**



Payments to high-cost debt first



How does your credit history affect you now, and later?



Landing a job



Getting an apartment



**Getting insurance
and how much you pay**



**Obtaining loans/mortgage
and at what interest rate**

How do you “find” credit?

Shop around

- **Compare terms**
- **Understand all fees**



Caution:

- **Low introductory rates**
- **Rewards programs**



What should you watch out for?

Fine print

- **Fee if you always pay in full**
- **Rate increases**
- **Late payment fee**
- **Balance-transfer fee**
- **Over-the-limit fee**
- **Replacement-card fee**
- **Cash advance fee**





What else should you watch out for?

- **Grace period**
- **Universal default clause**
- **120 days same as cash**
- **Minimum payment trap**





What does the minimum payment trap actually cost you?

<u>Amount owed</u>	<u>Payment option</u>	<u>Pay-off period</u>	<u>Interest costs</u>	<u>Actual cost</u>
\$2,000	Minimum 4% of declining balance (\$80 to start)	9.5 years	\$1,116	\$3,116
\$2,000	\$100 <i>per month</i>	2 years	\$396	\$2,396 <i>(savings of \$720!)</i>

Interest rate: 18%

From the *Googolplex Credit Card Interest-Saving Calculator*





What's the *right* way to use a credit card?

Hints:

- Charge *how much*?
- Think “credit limit”



What's *your* credit score?

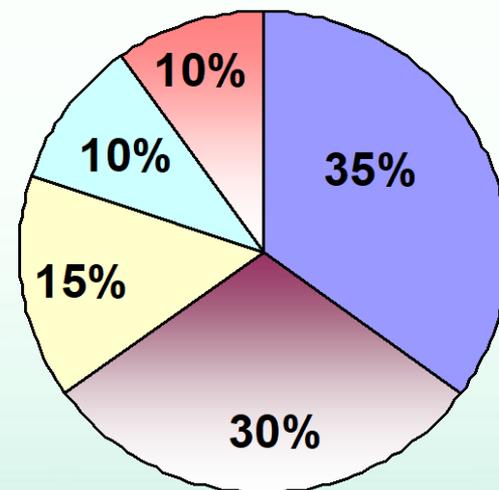
Do you pay bills on time?
(35% of total score)

Do you owe a lot of money to a lot of people? (30%)

How long is your credit history?
(15%)?

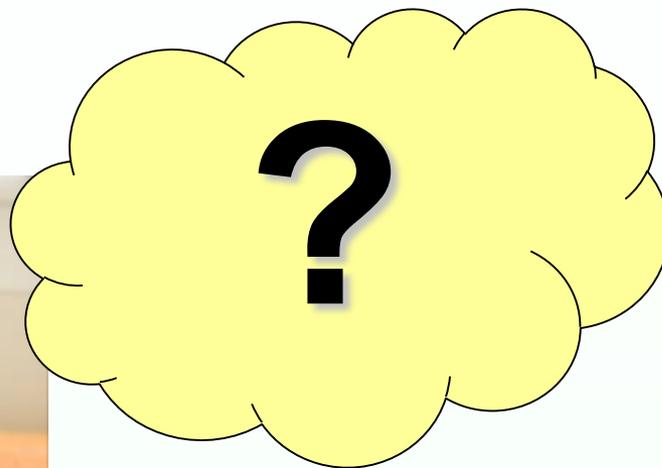
Are you adding debt? (10%)

Do you have a “healthy mix” of credit? (10%)





How to avoid credit card trouble





What happens when you pay late?

- **Late payment fee**
 - Now, only one fee for single late payment
 - Now, not more than \$25 (*exceptions...*)
 - Now, can't be > minimum payment
- **Lower credit score**
- **Higher rates by other issuers**





How can you avoid making late payments?



Easy to remember due date

Auto bill-pay



Online banking

Fee waiver request





Are you taking on too much debt?

Know the warning signs!





What should you do if you can't pay your bills?

- **Contact creditors**
- **Contact CCCS (800-388-2227)**
- **Steer clear of “credit repair”**
- **Don't add new debt**



How can you establish—and build— a good credit history?

- **Open checking account**
- **Request retail/credit card, or gas card**
- **Open secured credit card account**
- **Pay bills on time**
- **Obtain small loan**
- **Have “mix” of credit over time**





“OMG—I can’t find my credit card! What do I do?”



- **Who to call...**
- **When to call...**
- **What’s my liability...**
- **Where *not* to keep phone numbers...**



Online Resources

Blogs

Credit reporting agencies

Government agencies

Industry





Remember ... your credit union can help you with all your financial challenges.



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