

What is Credit?

- Think of, credit cards, bank loans, student loans and store accounts.

How would you define credit?

- The ability of a person or a business to borrow money from a bank or other lender with the intent, or promise, to pay the money back. Or...more simply put,
- Credit is an IOU (I Owe You). You are given something now with the promise that you will pay it back at a future date.

Ever heard of having good credit or bad credit?

- Good credit is when you payback an IOU on time.
- Bad credit is when you do not.

What is your credit history?

- Your credit history is all the IOU's you have made over time and whether you have repaid the IOU's.

What is a credit report?

- This is a LIST, a paper report, of your credit history.
- It shows your address, social security #, birthdate, etc.
- It shows all the companies you have borrowed from. All the companies that have given you IOU's.
- It shows when you made your payments on time and when you did not.

Who is interested in looking at this credit report?

- Banks
- Landlords
- Employers
- Insurance companies
- Credit card companies
- Cable company

Who stores this information about your credit history?

There are only three companies in the United States that store your credit history for businesses that may want to look at it in the future.

- Experian
- Equifax
- Transunion

Have you heard of a credit score?

- Number given to you by the credit reporting agencies.
- Everyone over the age of 18 has a credit score.
- If you have never had credit, then you have a score of ZERO.

Two types of credit

- Traditional credit
- Non-Traditional credit



Traditional credit

- Boat, car, 4-wheeler, sno-go loans from a bank



- House loan (mortgage) from a bank

- Credit cards



Traditional credit, cont.

- Traditional credit companies report to credit reporting agencies each month about your payment history and in turn this ends up on your credit report.

Non-Traditional credit

- Electric company accounts
- Cable company accounts
- Phone company accounts
- Store accounts
- Student loans (Not all)

Non-traditional credit, cont.

- Unlike banks, credit unions and credit card companies (traditional credit), non-traditional credit companies (store accounts, elec. companies) do not report to credit reporting agencies each month. These companies only report to credit reporting agencies when they close your account down and require a collection agency to collect on the debt.

How can non-traditional credit be used to help you?

- If you have never had a bank loan or credit card and therefore do not have a credit history with which to prove that you are someone that can be trusted to pay back an IOU, then non-traditional credit can be used to prove to a bank that you are capable of paying a company on time every month.

HOW????

- You can request copies of your account and payment history from your cable company, electric company or general store showing how many months/years you have had an account and whether you have paid them on time. Some traditional credit companies will accept this as a proven credit history even though it is not on your credit report!

No credit is like having bad credit.

- Banks, credit card companies, the cable company, they all want to know that you will pay them on time.
- They will not take your word on it!

So, how do you get traditional credit?

- Checking account
- Savings account
- Co-signer (Have someone with good credit sign the loan or credit card application with you)
- Secured credit card (give the bank \$\$ to hold until you prove you can make your monthly payments.)
- Secured loan (Same as above)

Why not save up and pay with cash?

- Emergencies such as an injured family member can be expensive. A credit card allows to purchase a ticket last minute even if you do not have the cash.
- A home is too expensive to save for...you would save all your life.
- Many automobiles are too expensive to save for.

Importance of good credit

Good credit helps you get these:

- Home/Apartment
- Car
- College
- Telephone
- Job
- Sno-go

How important is good credit?

- Single most important aspect of your life upon graduation from high school!

Want a copy of your credit report?

- You can receive a free copy of your credit report once a year from:
www.annualcreditreport.com.
- If you would like to receive additional credit counseling and review a copy of your credit report please contact Lahka Peacock with Kawerak at 443-4390.