

Credit Abuse Resistance Education



Credit
Abuse
Resistance
Education
(CARE) Program

 SAN DIEGO COUNTY
BAR ASSOCIATION

U.S. Bankruptcy Court –
Southern District of California

Are these things you Need or Want?



Credit Abuse Resistance Education
Program

For “Big Ticket” Items

Unless you’ve saved
lots of **cash**...



...you’ll probably use a
credit card.

True or False?

1. You must be 18 or older to obtain a credit card in your own name.

TRUE

1. Before you become 18, you may obtain a credit card in which an adult is the authorized user.

But once you're 18, you can legally incur debt in your own name.

True or False?

2. All credit card companies charge the same annual percentage rate (APR) of interest on the balance you owe.

19.5%

23% APR

FALSE

2. Different banks charge different APR rates.

Also, other important terms vary
(*e.g.*, annual fees, late fees, grace periods)

True or False?

3. If you pay your credit card balance on time and in full each month, it doesn't matter what rate the bank charges on your credit card.

TRUE

3. Because you pay interest on the **unpaid** amount each month, you never pay any interest charge **if** you pay the entire amount due each month.

Banks hate it when you do this!

True or False?

4. You pay no interest on a debit-card purchase.

TRUE

4. A debit card works like a check.
Money is instantly deducted from your
checking account.



Your ATM card
probably serves a
debit card.

True or False?

5. Everyone over age 18 has a credit report.

False

5. Credit reports exist only for people who have established a credit history.

*Having **no** credit history can have adverse consequences.*

True or False?

6. If you are late in making a few credit card payments, the interest rate you pay may increase sharply.

TRUE

6. For example, on one user's credit card, the interest rate jumped from **12%** to **30%** when **one** payment was late!
(Late charges also can accrue.)

True or False?

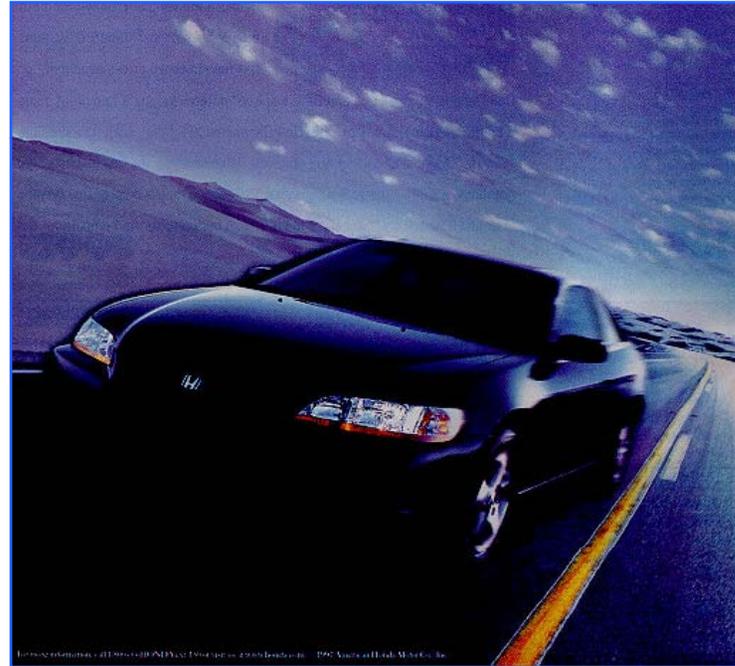
7. Missing just one or two credit card payments won't hurt your credit rating.

FALSE

7. Missing a payment is noted on your credit report. Negative information such as this can legally remain on your credit report for up to 7 years.

True or False?

8. If you apply for an auto loan, the lender will probably review your credit report.



TRUE

8. Lenders almost always will review your credit report.

Credit-
reporting
agencies

EQUIFAX

Equifax



TransUnion.

TransUnion

experian

Experian

Visit

[AnnualCreditReport.com](https://www.annualcreditreport.com) for a free copy of your credit report.

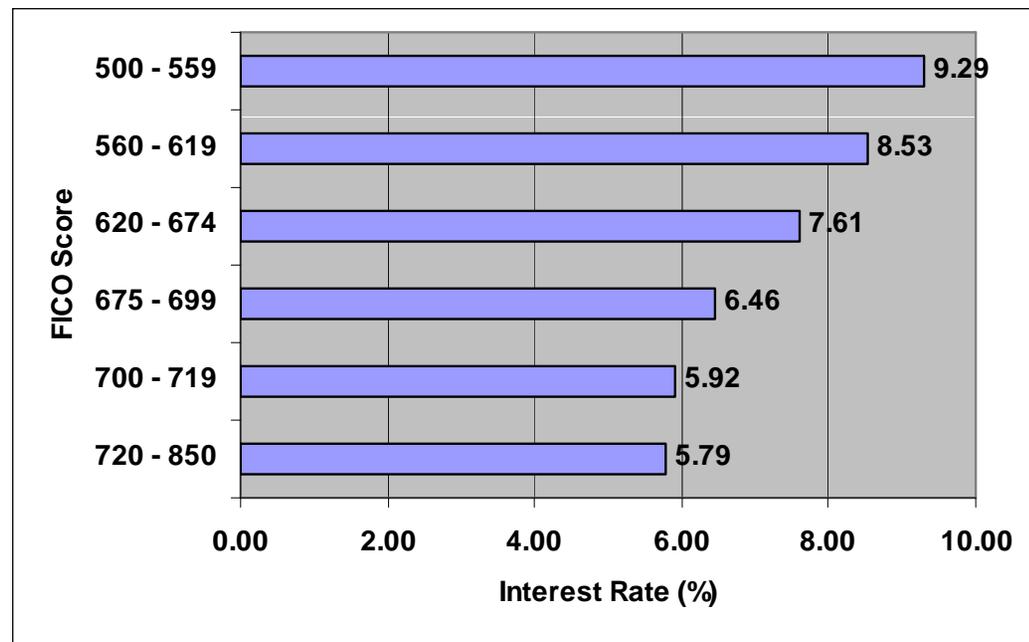
FICO Credit Scores

- A score determined by your past use of credit, as recorded by the three credit-reporting agencies
- A 3-digit number between 300 & 850
- Created by **F**air **I**saac **C**orporation

You have **three** FICO scores, one from each credit-reporting agency.

FICO Credit Scores (continued)

- Used by lenders to determine your interest rate
- Lower FICO score = **higher** interest
- Scores >700 = **lower** interest



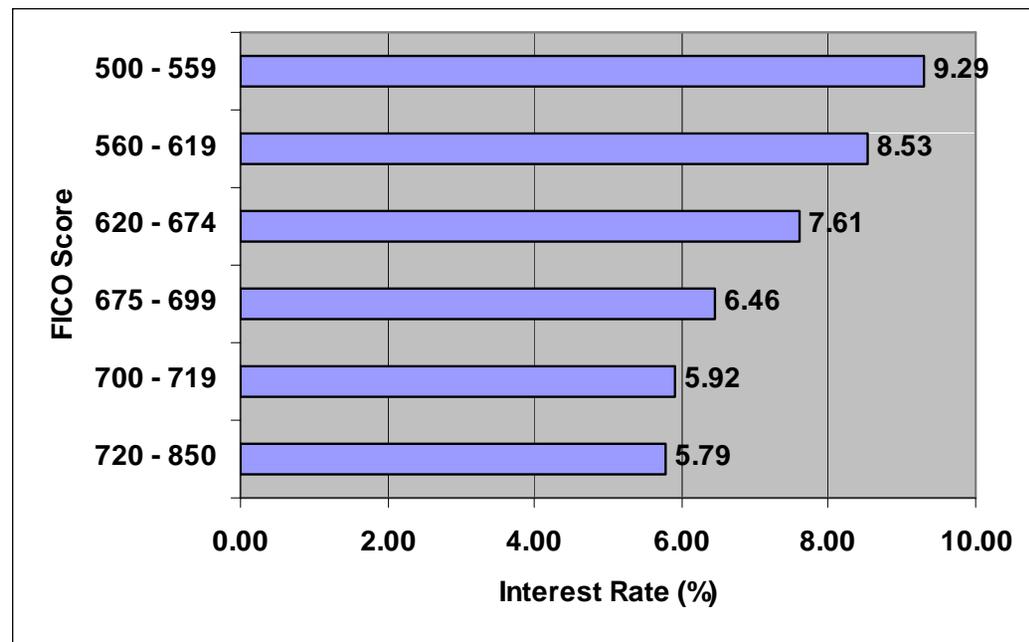
Average interest rate for a \$200,000 30-year, fixed-rate mortgage on August 5, 2005, based on credit scores nationwide

Source: *Parade Magazine*, 10/2/05

FICO Credit Scores (continued)

The cost difference between the **highest** and **lowest** credit scores for a \$200,000 loan:

- \$478 per month
- \$5,736 per year
- \$172,080 for the entire 30-year loan



Average interest rate for a \$200,000 30-year, fixed-rate mortgage on August 5, 2005, based on credit scores nationwide

Source: *Parade Magazine*, 10/2/05

FICO Credit Scores (continued)

- Also used by lenders to decide:
 - Whether to approve your credit application
 - Whether to increase your credit limit
 - How to treat you if you make a very late payment

FICO scores are **not** part of your credit report.
To obtain your scores, visit www.myfico.com

True or False?

9. When you apply for a job, your prospective employer may review your credit report.



TRUE

9. A prospective employer can review your credit report if you give written authorization.

More and more employers are checking credit reports of potential employees.

True or False?

10. Bouncing just one check won't cause you to have credit problems.

FALSE

10. If you bounce a check, your bank may put your name in Chex SystemsSM.

You could be “blacklisted” for up to 5 years. This might mean you may not be able to use a checking account.

Multiple Choice

11. The average college undergraduate owes credit card debt of:

- (a) \$500
- (b) \$1,500
- (c) \$3,000
- (d) \$5,000

Answer: C

The *average* college student
owes about
\$3,000
in credit card debt.

Tips: Establishing Credit

- Establish good credit by
 - Using a checking account or a debit card
 - Paying bills in full and on time
- Take out a small loan and repay it in a timely manner to establish a good credit record
 - Use a parent as co-signer

Tips: Determine if Credit is for You

Before you make a purchase using credit, determine:

- How much the purchase will really cost you
- Whether you can actually afford the purchase
- If it is better to wait and pay in cash

Tips: Obtaining a Card

- Get only one credit card



- Resist opening a new credit card account for the enticing “free gifts”



**Credit card
solicitations on the
Notre Dame
University campus**



Tips: Obtaining a Card (continued)

- “Shop” for a credit card with the best terms that suit you
 - Pay close attention to various late fees and penalties
- **ANNUAL MEMBERSHIP FEE:** Refer to your statement in the month in which the fee is billed.
- **RENEWING YOUR ACCOUNT:** You may have your annual membership fee credited to your account if you close your account within 30 days from the mailing or delivery date of the statement containing the fee, even if you use your card during that period. You may call the Customer Service number or write to the Customer Service address on your statement during this 30 day period and your account will be terminated; we will credit your account for the amount of the annual fee.
- **ANNUAL PERCENTAGE RATE:** Refer to the Rate Summary section of this statement. Your periodic rates and APRs may vary.
- **RATE AND ACCOUNT SUMMARIES:** The purchase and advance features of this account may be listed in the Rate Summary Section of this statement under the following titles: Standard Purch, Purch/Adv, Standard Adv, and various numbered Offers. The Account Summary section of this statement includes on the PURCHASES line subtotals for all purchase features, and on the ADVANCES line subtotals for all advance features, of the Previous Balance, new Purchases & Advances, Payments & Credits, FINANCE CHARGE and New Balance amounts.
- **PERIODIC RATES:** (D) and (F) indicate a daily periodic rate. (M) indicates a monthly periodic rate.

“Shopping” for a Card

- Evaluate whether a rewards card is worth any extra fees and costs
- Consider other credit products (*e.g.*, prepaid cards and secured credit cards)



Apply Now ▶

† Terms & Conditions

Annual Fee

No Annual Fee

Citi® mtvUTM Platinum Select® Visa® Card for College Students

Earn ThankYou® Points for a good GPA, paying your bills on time buying books, movies & more

Redeem points for rewards such as gift cards, travel & merchandise, plus exclusive mtv™ & mtvU™ rewards

- 0% APR on Purchases and Balance Transfers for 6 months^{1, 3}
- No Annual Fee
- Earn up to 2,000 ThankYou Points twice a year for maintaining a good GPA¹
- Earn 25 points monthly when you pay bills on time & don't exceed your credit limit¹

Tips: Using Your Card

- Limit credit card use for essential purchases only (**needs**, not **wants**)
- Try to pay the **entire** amount due each month by the due date
- Keep track of where your cards are
 - If you hand a credit card to a merchant, try to keep it in view

Tips: Using Your Card (continued)

- Don't max out on your credit limit
 - Watch card balances to avoid overlimit fees
 - Keep your card balance below 30% of your limit
- Try to avoid cash advances



Tips: Credit Card Debt (continued)

- Calculate how long it will take to pay off credit cards.
 - Visit Bankrate.com
- Make a plan to pay debt and stick to your plan

Tips: Credit Card Debt (continued)

- Pay more than just the minimum payment amount
- Ignore offers to skip payments
 - Interest continues to accrue on unpaid balances
- Pay higher-interest cards first, but don't miss any payments on **any** card

Tips: Credit Reports

80% of credit reports contain mistakes!

- Check your credit reports regularly
 - Visit AnnualCreditReport.com for free copies
- Contact the credit-reporting agency to correct any inaccurate information or errors

Some Web Resources

- Smartmoney.com
- Cardweb.com
- AnnualCreditReport.com
- MyFICO.com
- Bankrate.com
- ConsumerReports.org
- Channelone.com



Free credit reports!

U.S. Bankruptcy Court – Southern District of CA

**Visit the CARE Web site
Students page**

www.casb.uscourts.gov/html/CARE/index.htm

Recommended
reading

