



Credit
Abuse
Resistance
Education
(CARE) Program

CARE Program

- Responsible consumption.
- Saving and budgeting.
- Understand the details about credit.
- Learn about student loans.
- Know your options if you overspend.

Consumerism!
~ The Musical ~
video

Wants vs Needs



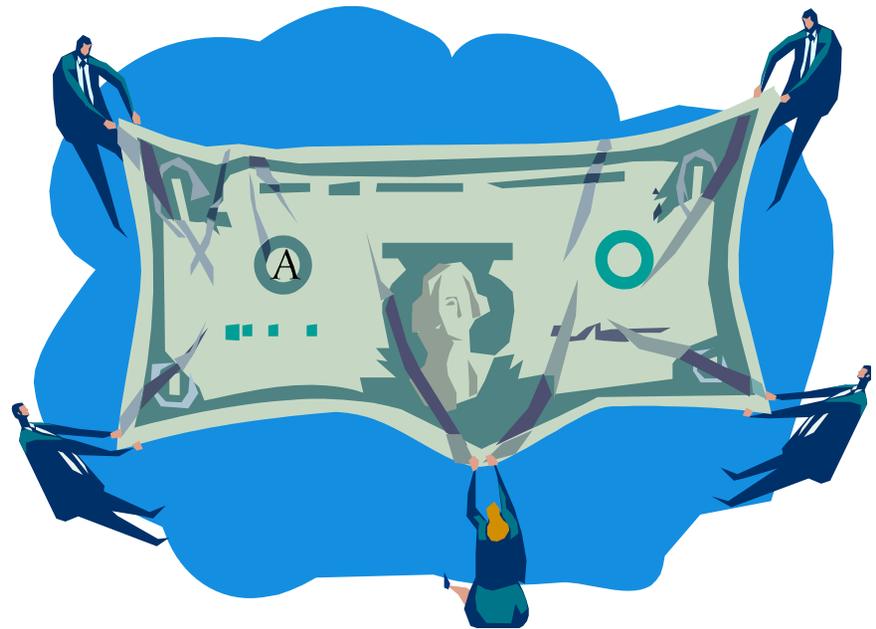
Consumerism – Good or Bad?



*Don't Buy Stuff
You Cannot Afford*
video

Responsible Consumption

- You can buy more if you spend less!
- Set a budget and stick to it.
- Learn to save to buy a house or a car.



Pay Now

- Pay cash for wants.
- Write a check.
- Use debit cards.
 - Debit cards take the money right from your checking account.



Have \$\$ in Your Account!

- ATM usage fees.
- Overdraft charges.
- If you bounce a check, your bank may put your name in Chex SystemsSM and harm your credit.

Save for Emergencies
video

For “Big Ticket” Items

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



...you’ll probably use a
credit card.

True or False?

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

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!

*New Credit
Card Law*
video

Can Students Get a Credit Card?

- A credit card **CANNOT** be issued to someone under age 21 unless the person has a co-signor (over age 21) or can provide proof of a means to repay.
- Before the change in the law, the *average* college student owed about **\$3,000** in credit card debt.

Credit Card Promises & Tricks

- Promise 1: “As low as 9.99% APR!”
- Promise 2: “Up to 5% cash back!”
- Promise 3: “Your card has a credit limit of \$3,000.”

Credit Card Tips

- Get only one credit card.
- Avoid new accounts just for the low introductory rate.
- Put a cap on your credit limit. Don't max it out.
- No cash advances.
- Don't let anyone else use your card!
- Try applying for a secured credit card if you cannot get credit.

Pay Up!

- Calculate how long it will take to pay off credit cards. Visit [Bankrate.com](https://www.bankrate.com)
- Make a plan to pay debt and stick to your plan.
- Try to pay the **entire** amount due each month by the due date.
- Pay more than just the minimum payment amount.
- Pay higher-interest cards first, but don't miss any payments on **any** card.

Get It On Credit!
video

Worth the Cost?

Before you buy something on credit, answer these questions:

- How much the purchase will really cost you?
- Can you actually afford the purchase?
- Is it better to wait and pay in cash?

Paying Late

- If you are late in making a credit card payment, your credit report and score will be negatively impacted.
- The interest rate you pay may increase sharply!
- And late fees may be added!!

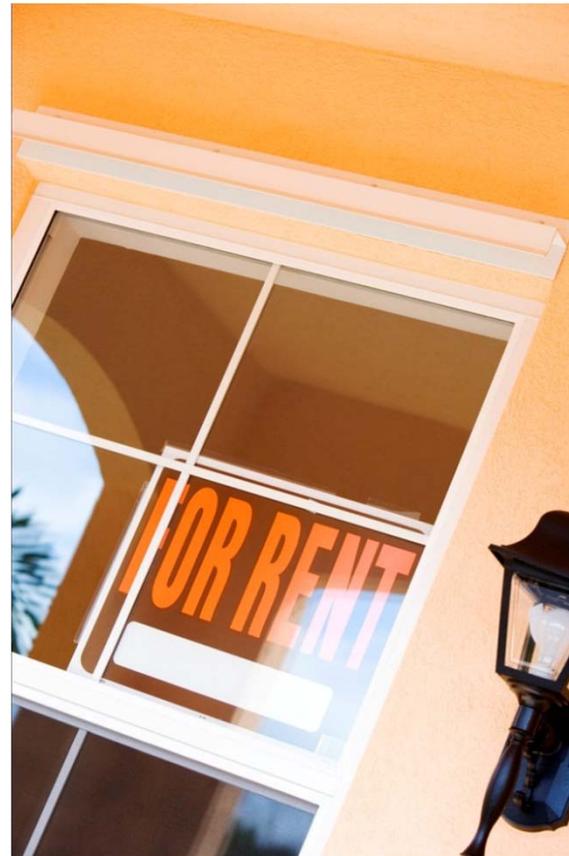
Your Credit Report Card

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

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

Good Credit History

- Auto loan lenders
- Landlords
- Buying a house



True or False?

Prospective employers may request credit reports from a prospective employee.

False

The Employment Credit Check Law (2012) prohibits employers from requesting credit reports for Californians unless they are working or seeking work in a financial institution, law enforcement or the Justice Department.

Credit Report Card

- 3 credit-reporting agencies

Equifax

TransUnion

Experian

- Visit AnnualCreditReport.com for a free copy of your credit report.
- **80%** of credit reports contain mistakes!

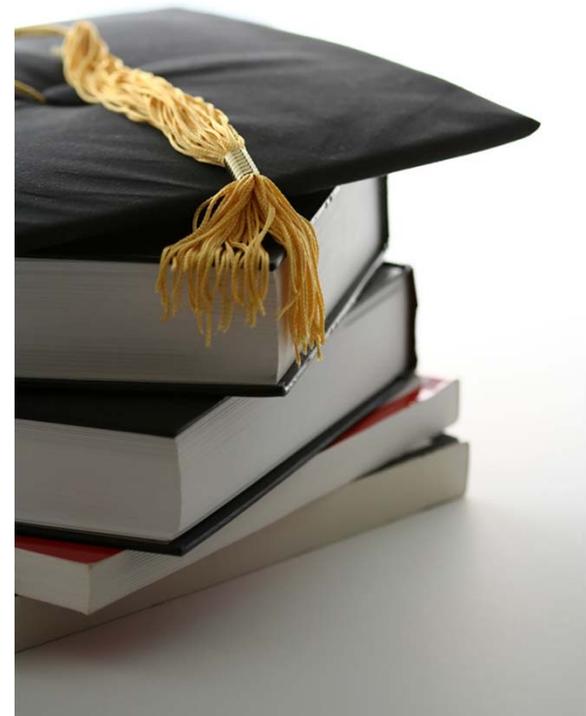
Your Credit (FICO) Score

- A 3-digit number between 300 & 850.
 - The higher, the better!
- FICO scores are **not** part of your credit report. You must pay a fee.
 - To obtain your scores, visit www.myfico.com

Student Loan Traps
video

Student Loans

- Second largest source of debt for American households.
- Average student graduates with a \$25,000 loan balance.
- More student loan debt than credit debt.



Monthly Cost of Student Loans

- \$25,000 at 10 year repayment at 6.8% interest rate
 - Monthly Loan Payment: \$287.70
- For private or graduate school?
 - \$120,000 at 10 year repayment at 6.8% interest rate
 - Monthly Loan Payment: \$1,380
- Go to www.finaid.org/calculators

Shop Around

- In looking for student loans, search for the best interest rate/terms.
 - Your school's financial aid package isn't always the best option.
 - Consider fixed versus variable interest rates.
 - Subsidized versus unsubsidized loans.
- Choose public, not private loans.

Student Loan Laws

- College Cost Reduction and Access Act of 2007.
 - Some federal student loan balance forgiven after 10 years of public service.
- The 2010 College Cost Reduction and Access Act.
 - Reduces payment amount to a percentage of income.

Manage Student Loan Debt

- Keep track of what is owed and any change in terms.
- Pay the interest during school.
- Use only for ‘needs’ – like tuition.
- Don’t use your student loan for ‘wants’ – like spring break!
- Pay off higher interest loans/cards first.

Ways to Reduce Costs

- Search for grants or scholarships during school.
- Get a job on campus or live at home.
- Consider lower cost options like community colleges or state universities.
- Try to graduate early if possible.

Shakespeare in Love
video

Consequences of Not Paying

- Collection phone calls.
- Accumulation of late fees, over-limit fees, compound interest.
- Psychological consequences.
- Damage to your credit score, which increases future borrowing costs.
- Bankruptcy.

Bankruptcy

- People file for bankruptcy to get a “fresh start.”
- Stigma surrounding bankruptcy, which means that you have not used credit properly.
- Stays on your credit record for years.

Types of Bankruptcy

- Chapter 7 – Property is sold by a trustee to pay debts.
 - Old debts are ‘discharged’ or written off.
- Chapter 13 – Income left after expenses are paid to a trustee who pays creditors.
 - You must pay old debts over a 5-6 year period.

U.S. Bankruptcy Court – Southern District of CA

**Visit the CARE Web site
Students page**

www.casb.uscourts.gov/CARE