

What Is Credit And Why Do You Need It?

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EVP of Lending





Definition of Credit

- Noun: credit
- The ability of a customer to obtain goods or services before payment, based on the trust that payment will be made in the future

Credit History

- Your credit history, as reported on your credit report is a documented record of how you pay your bills. It represents an ability and willingness to pay a debt or obligation.
- Most every account that you have such as student loans, credit cards, car loans and mortgages, report a data file to the 3 or more Credit Bureaus (the big 3 are Trans Union, Equifax and Experian). This data file reveals the timeliness of payments made on your account.



Information Listed On A Credit Report

- Name(s)
- Current and previous addresses and the dates you lived there
- Current and previous employers and the dates you worked there
- Date of Birth
- Social Security Number
- Your Credit Score (A Range of 300 – 850, the higher the better!)
- What factors are contributing to your score such as
 - late payments
 - collections
 - too many accounts with available limits
 - balances in ratio to available credit
- Public records such as bankruptcies or judgements
- Who you have accounts with (open and closed)
- When the account was opened
- Date of last activity on the account
- The type of account
- High Credit Limit
- Current Balance
- Monthly Payment
- Terms
- If the account is past due
- The amount of delinquency
- Payment pattern/history (how many times you paid on time or paid late)

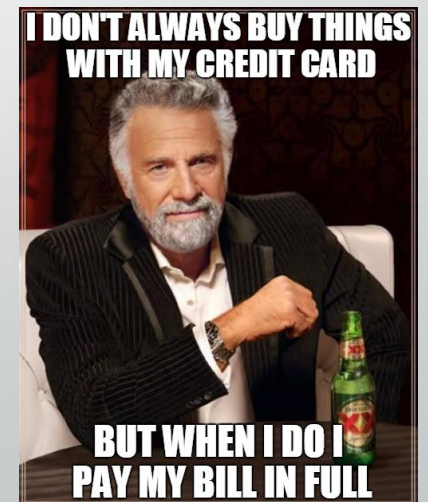
Uses For Credit Report

- Employment
- Insurance
- Student Loans
- Mortgage Loans
- Credit Cards
- Opening a Bank Account
- Apartment Rentals
- Law Enforcement Agencies



Credit Card Responsibility

- Making wise decisions when applying for and using credit is extremely important from the very first time you apply for credit and continuing on as you utilize credit throughout your life. Poor payment patterns can affect your everyday life from being offered an employment position you have applied for to not being able to get the home of your dreams.
- The best credit practices follow the beliefs of “If you cannot afford to pay cash for it, DO NOT buy it.” That doesn’t mean you shouldn’t put a purchase on a credit card. That means that once you pay for it with the credit card; pay the credit card off when the bill arrives. If you will not have the money to do that then maybe you should save for a bit longer until you will have the money to pay off the amount.



Example

- A new iPhone 6 Plus cost approximately \$649.00 (plus tax)
- Jarod purchased a new iPhone 6 Plus. Jarod used his credit card to pay for the purchase. The interest rate on Jarod's credit card is 12.80%. When Jarod received his statement, he paid the balance in full. The iPhone 6 Plus, cost Jarod \$649.00 (plus tax).
- Robert purchased a new iPhone 6 Plus. Robert used his credit card to pay for the purchase. The interest rate on Robert's credit card is 12.80%. When Robert received his statement, he only made the minimum payment of \$35.00 Each month thereafter he paid only the minimum amount required. It will take Robert 21 months to pay off his balance and he will have paid \$725-\$729 which is an extra \$76.00-\$80.00 for the same phone.



- Using credit cards is important when traveling. Credit cards can be cancelled if lost or stolen, cash cannot. Credit cards are accepted internationally, including airlines and hotels. Cash cannot be used when trying to book reservations. Most car rental companies will only rent to someone who has a valid credit card.
- Having credit cards is not a bad thing, but not using them responsibly is!



Credit score

- Your Credit Report provides a history of your ability and willingness to repay. It provides if and when you have had late payments and how late those payments may have been. Your credit history contributes to your credit score.





Credit Score Factors, there are many things that contribute to your credit score.

- Number of open accounts
- Delinquency
- Balances in ratio to credit limit
- Collections
- Age of trade lines
- Credit Mix or diversity of account types
- New accounts
- Recent inquiries
- Recent new credit
- Collection accounts
- Bankruptcy
- Foreclosure



How To Increase Your Credit Score

- The easiest and simplest way to increase your credit score is to maintain your payments in a timely manner.
- Limit the number of inquiries.
- Keep several different types of credit active.
- Resolve any disputes
- Pay any and all collections



Unprecedented Challenging Times

These times provide challenges in all areas of our lives. The challenges we face may affect your ability to maintain a positive credit rating. It is important to maintain contact with your creditors. Reach out to them and ask about deferment or forbearance (delaying your payments).

Contact a reputable Debt Relief Agency if necessary.



Debt Relief Agencies

If you find yourself in a situation that you feel may require professional assistance in consolidating debt; make sure to work with reputable agencies.

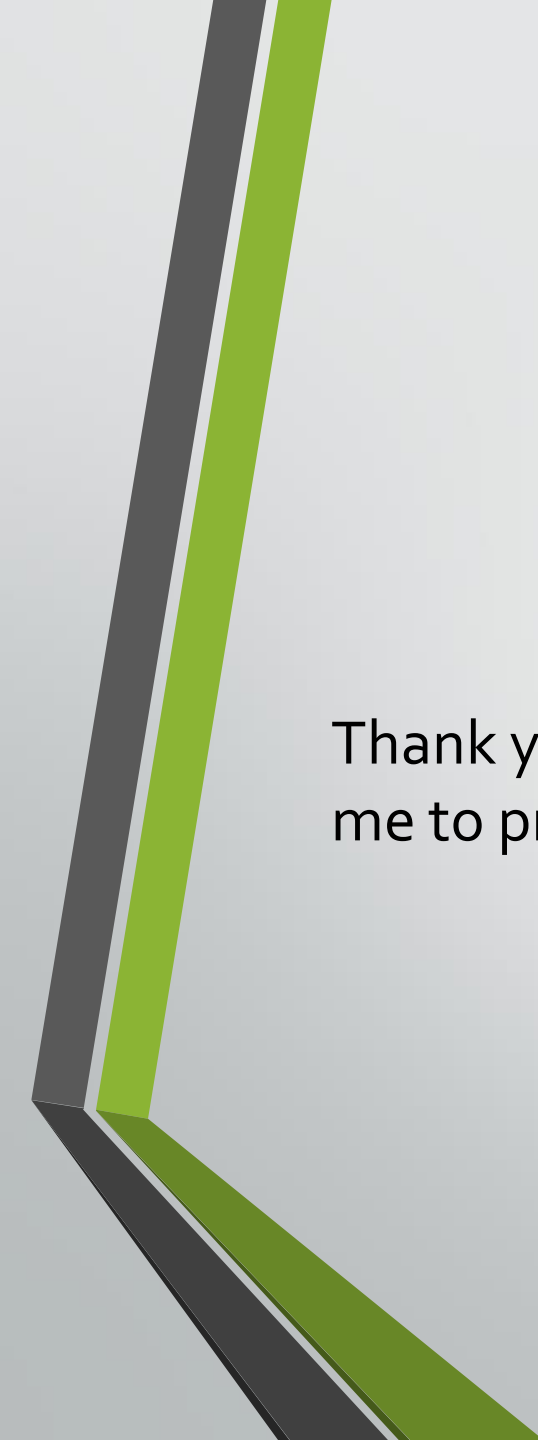
Typically, the advertisements you hear on the radio or TV charge you fees to work with your creditors.

GreenPath Financial Wellness, is a national nonprofit agency that works with consumers and creditors nationwide.

GreenPath Financial Wellness

1-800-550-1961

www.greenpath.com



Thank you for taking the time to learn more about Credit and also for allowing me to present this information.

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