

TAKE CHARGE
OF
YOUR LIFE

- Introduction & Getting Started
- How Credit Works
- Credit and Credit Cards
- You and Your Credit Record
- You and Your Money,
Parts 1 & 2
- Protection Against Fraud

INTRODUCTION
AND
GETTING
STARTED

1. What is credit?

2. Why do we need credit?

3. How do we get credit?

WHAT IS CREDIT?

Credit is obtaining something
now with a promise
to pay for it in the future.

WHY DO WE NEED CREDIT?

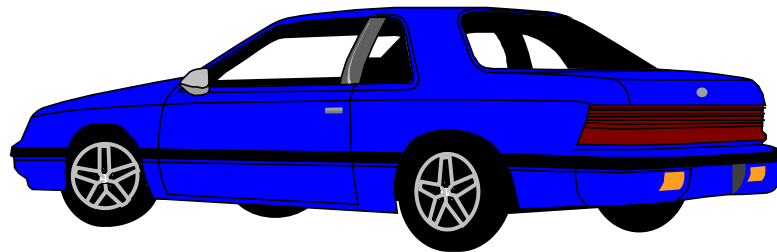
There are some things it is difficult to pay cash for - such as cars and houses.

It would take years to accumulate enough money to pay cash for those items.

How important is credit
to the U.S. economy?

AUTO INDUSTRY

If there was no credit available to anyone, very few people would be able to purchase a car.



AUTO DEALERS

would go out of business
because they couldn't sell their
merchandise and make money
to pay salesmen and other
employees.

AUTO MANUFACTURERS

would follow shortly, because they wouldn't be able to sell the vehicles they manufacture.

SUPPLIERS OF PARTS AND SERVICES

would go out of business as
fewer people had automobiles
requiring maintenance.

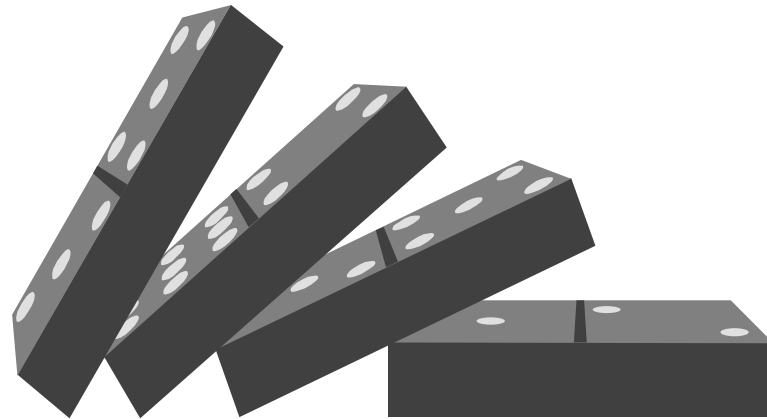
SUPPLIERS OF RAW MATERIALS

would also be negatively
impacted.

It would leave consumers
without goods, and
employees without jobs.

With little or no income,
consumers would be even less
likely to be able to purchase
high dollar items.

THE DOMINO EFFECT



Each business is dependent on the others to have products and services to sell.

When one fails, it affects the rest of them, and they are unable to maintain their businesses.

HOW DO
WE GET STARTED
AND
ESTABLISH CREDIT?

- Bank Accounts
- Co-Signer
- Local Retail Charge Account
- Secured Credit
- First Time Buyer Programs
- Student Programs

Review of Section 1 - Introduction and Getting Started

1. What is credit?
2. Why do we need credit?
3. How do we get credit?

HOW CREDIT WORKS

1. Why companies give credit
2. Credit transactions
3. Credit reports and credit scoring
4. What to do if you are turned down for credit

WHY DO COMPANIES EXTEND CREDIT?

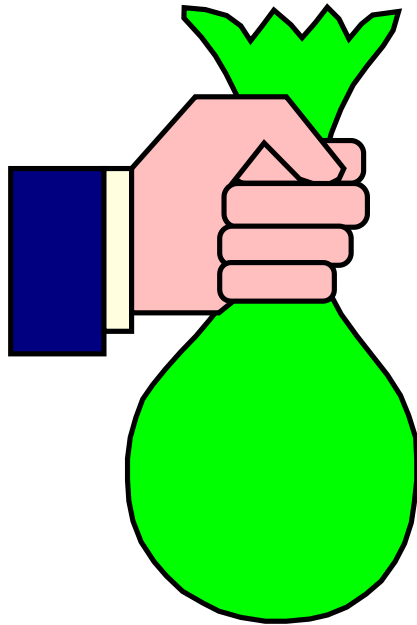
- It's how our economy works.
- Credit gives companies a way to sell their products and services to consumers without waiting until they have cash.
- Allows consumers to impulse buy, which means higher sales.

WHAT INFORMATION WILL THE LENDER WANT ON THE CREDIT APPLICATION?

- Name
- Address
- Phone
- Other identifying information
- Source and amount of income
- Total outstanding debt

You have completed the application and returned it to the lender.

Who decides if you get the credit you have applied for?



The lender

How do most lenders make
their decision?

Credit Scoring

- Payment History
- Outstanding Debt
- Length of Credit History
- Types of Credit
- Recent Inquiries and New Accounts

If you've been turned down for credit, the Equal Credit Opportunity Act requires that you be given the reason why within 30 days. If a credit report was used to make the decision, review your report with that agency. If you find an error, the agency must investigate and respond to you within 30 days.

Ways to maintain a good credit history and improve your credit score:

- Pay bills on time
- Keep balances low
- Apply for credit only when needed

Review of Section 2 - How Credit Works

1. Why companies give credit
2. Credit transactions
3. Credit reports and credit scoring
4. What to do if you are turned down for credit

CREDIT AND CREDIT CARDS

Ask yourself:

1. Do I really need this item right now?
2. Can I qualify for credit?
3. What is the interest rate?
4. Are there additional fees?
5. How much is the monthly payment and when is it due?

And...

6. Can I afford the monthly payment?
7. What will be the extra cost of using credit?
8. What will I have to give up to pay for it?
9. What will happen if I can't pay on time?
10. Is using credit for this purchase worth it?

COST OF USING CREDIT

Interest rate of 15%

Making minimum payments (\$15 or 3%)

| <u>Original Balance</u> | <u>Time to Pay Off</u> | <u>Interest Charged</u> | <u>Total Paid</u> |
|-------------------------|------------------------|-------------------------|-------------------|
| \$1,000 | almost 7 years | \$508 | \$1,508 |
| \$2,500 | over 11 years | \$1,580 | \$4,080 |
| \$5,000 | over 14 years | \$3,365 | \$8,365 |

COST OF USING CREDIT

Interest Rate of 18%

Making minimum payments
(\$15 or 3% of balance)

Groceries \$125 \$10 interest \$135 final cost

Clothes \$350 \$85 interest \$434 final cost

What to consider when shopping for a credit card:

- Permanent rate vs. introductory rate
- Annual fee
- Grace period
- Late fees
- Cash advance fees and rates
- Limits on balance transfers
- Incentives and rewards

Review of Section 3 - Credit and Credit Cards

1. What questions to ask yourself
2. Cost of credit
3. Other items to consider when shopping for a card

YOU AND YOUR CREDIT RECORD

1. Why a good credit record is important.
2. What affects your credit record.
3. What to do if you have credit problems.

The information in your credit file comes from:

- Information you provided to your creditors on your applications
- Account information provided by your creditors
- Items of public record (such as judgements and bankruptcy)

Information reported by your creditors will usually include:

- Name of the firm
- Date the account was opened
- Date of last activity
- Highest amount of credit extended
- Present balance
- Amount past due, if any
- Usual manner of payment
- Current status of account



Credit Reporting Agencies must follow reasonable procedures and be in compliance with Federal Laws, such as the Fair Credit Reporting Act (FCRA), the Equal Credit Opportunity Act (ECOA), and applicable State Laws.

If you are in trouble:

1. Resolve to get yourself out of debt.
2. IMMEDIATELY STOP using credit cards (cut them up or freeze them).
3. List all of your debts in writing.
4. Develop a repayment plan (contact CCCS or another reputable agency - don't be taken in by illegal or unethical "credit clinics").

5. Don't hide from creditors...they will usually work with you if you are up front and honest with them.
6. Consider bankruptcy only as a **LAST** resort.



Review of Section 4 - You and Your Credit Card

1. Why a good credit record is important.
2. What affects your credit record.
3. What to do if you have credit problems.

YOU AND
YOUR MONEY
(Part One)

SOURCES OF MONEY

- Salary
- Investment Returns
- Retirement Accounts
- Social Security
- Trust Funds

FINANCIAL INSTITUTIONS

- Banks
- Credit Unions
- Insurance Companies
- Investment Firms

TYPES OF ACCOUNTS

- Checking
- Savings
- Money Market

FACTORS TO CONSIDER WHEN CHOOSING A FINANCIAL INSTITUTION

- ✓ ATM System
- ✓ Direct Deposit
- ✓ Location/Accessibility
- ✓ Overdraft Protection
- ✓ Federal Insurance
- ✓ Audio Response System
- ✓ Minimum Balance Requirements
- ✓ Additional Services (such as Electronic Fund Transfers, Money Orders and Notary)
- ✓ Online Banking
- ✓ Customer Service
- ✓ Service Fees
- ✓ Savings Options

Review of Section 5 - You and Your Money (Part 1)

1. Sources of Money
2. Financial Institutions
3. Types of Accounts

**YOU AND
YOUR MONEY
(Part Two)**

TIPS FOR STAYING ON TRACK

- Pay all bills on time
- Keep credit card and charge account spending within pre-determined limits
- Pay 10% to yourself (savings)
- Plan for large purchases
- Set specific goals with deadlines



PAY
YOURSELF
FIRST!

Review of Section 6 - You and Your Money (Part 2)

1. Staying on Track
2. Budgets
3. Importance of Savings

PROTECTION AGAINST FRAUD

Identity Theft - Bank Accounts

- Copy of check used to “move” account
- Identity used to cash stolen check
- “Split Deposit” scam

SAFEGUARD YOUR ACCOUNT

- Use a bank that requires picture identification.
- Never print your phone number or social security number on your checks.
- Use a check card that requires a PIN.
- Always review your monthly statement promptly for errors.

Identity Theft - Credit Cards

- Fraudulent applications with change of address request.
- Orders by phone.
- Stolen cards.
- Scams using 900 numbers.

REDUCE THE RISK

- Never give out information over the phone.
- Never give a credit card number out to a company unless you KNOW it is reputable.
- Never throw away an intact credit card or loan application you get in the mail.
- Shred, shred, shred!

Other Steps to Fight Identity Theft

- Have your Social Security Number removed from your Driver's License.
- Avoid using your Social Security Number on documents unless absolutely necessary and never give it out over the phone.
- Remove your name from promotional lists.
- Avoid putting outgoing mail in an accessible mailbox (avoid the "red flag" scam).
- Use a check card with PIN instead of checks.

If you do become a victim:

- Contact your financial institution and/or credit card companies.
- File a police report.
- Notify all three credit reporting agencies, review your files and have them flagged for potential fraud.
- Notify the local postal inspector if your address was changed fraudulently.
- Document **EVERYTHING!**

Review of Section 7 - Protection Against Fraud

1. Identity Theft

- * Bank Accounts
- * Credit Cards

2. Ways to Reduce Risk

3. What to do in the Event of Fraud

Wrapping it Up - Final Review

- Introduction & Getting Started
- How Credit Works
- Credit and Credit Cards
- You and Your Credit Record
- You and Your Money,
Parts One and Two
- Protection Against Fraud

Any final questions?



Thank you for your
participation.

You are now ready to
“Take Charge of
Your Life”!