

Credit 101

Smart spending
today.

Smart planning
for tomorrow.

BUILDING your reputation

When it comes to your reputation, actions always speak louder than words.

- > Are you on time for a date?
- > Do you pay friends back when you borrow money?
- > Did you get that term paper in on time?



Your personal credit history is an important reflection of your financial reputation. Credit history and credit score will determine your ability to borrow money now and in the future, especially for big items like renting an apartment, hooking up utilities or purchasing a car. Now that you are in college and responsible for your own purchases and financial decisions, there's no better time to get smart on credit.

So let's get started with some basics.

WHAT IS credit "history?"

Your credit history is a record of your borrowing and repayment reputation, which includes consistent payment history for everything from utilities to school loans or credit cards. Every time you fill out an application for credit, information is filed with the credit bureau. These bureaus keep track of all of your borrowing and repayment activity so that future lenders can determine your "worthiness" to borrow money, say, for an apartment, a car, or even for further education.

LOOK INSIDE FOR:

- > Control Impulse Buys and Keep a Budget
- > Know the Score
- > Every Card Counts
- > Protect Yourself



Get Smart About Credit

YOU ARE making history right now!

Your credit history starts the moment you start borrowing money – from a bank, or a credit card company. Here are two ways to make sure your future isn't harmed by your history:

1

Control Impulse Buys and Keep a Budget

There will always be things you need... as well as things you want to buy. So keep a careful watch over purchases. School calls for many “needs” like books, class materials, food, etc. which should always come first. Make sure your needs are covered before you spend money on the “wants” like a weekend trip, dinner out, new music or clothes.

2

Start Building Today

It is good to start building a credit history as long as you can manage the payments owed. If you have a current credit card or loan, simply pay on time, every time or even be early. If you need to start building credit, you can start with a co-signed loan with your parents, have your apartment utilities in your name and make your cell phone and car payments. An established credit history will work to your advantage if you have a positive track record of consistent payment.



GIVING you credit

When you sign up for a credit card or loan, you are making a promise. The financial institution takes your application as a contract that you will pay them back for what you borrow. In return, they charge interest on what is owed – so don't look at credit as free money. Some cards can charge up to 15 or 20 percent interest, so consider your purchases wisely based on the real cost once the bill comes in the mail.

Before giving you credit, a lender will want to see proof of financial stability – part of your promise that you are capable of paying them back in a timely manner. Once you have a credit card, utilities contract or loan to your name, your credit history and credit score will dictate your ability to borrow money and may even dictate the interest rate you are charged if you are considered a higher risk candidate.

KNOW the score

Your credit score is a quick overview of your borrowing and repayment history for any credit card or loans in your name. Lenders will look at your credit score as well as your credit history to determine eligibility for a credit card or personal loan. The higher your score, the less risk you present to a lender. So keep your payments on track and on time to establish a score that will make you most attractive to lenders when borrowing now and in the future.



READ before you apply

It can seem easy to get a credit card. There are offers and incentives that will tempt you to sign up. Just make sure you know exactly what you are signing up for by carefully reading any introductory offer information and all details regarding interest rates and fees. The introductory interest rate (sometimes even zero percent) is temporary and may increase after a six month or one year term. Make credit decisions based on your own personal financial needs, not on attractive signing incentives.

EVERY card counts

Activity on every open card account will impact your credit history. This includes cards for specialty retailers and department stores. So before you are tempted by the 10% discount or special gift to sign up for a card, ask yourself whether you want to add another creditor to your history. Also, these cards can carry high interest rates, so the cost to borrow over time may surpass any savings or incentive to join.

You should know your credit score. You can order your credit report including history and score annually at no charge at www.annualcreditreport.com. Check this report frequently to make sure there are no mistakes in your personal information or financial history.



TIME for extra credit

With everything you have on your schedule these days, it could be easy to fall behind on payments or to rack up a few late charges and penalties. But remember, activity on your credit report is retained for up to seven to ten years, so stay ahead of your budget and your payment promises to creditors.

If you fall behind, here are some ways to get back on track:

1. Cut recreational spending –

focus on what you really NEED right now and cut back on a few of your WANTS until you can actually afford what you are charging. It may seem hard at first, but it's worth it in the long run!

2. Call your card company or lender.

It might be possible to work out a payment plan that works for you to repair your credit reputation.

3. Budget. Budget. Budget.

Think ahead about payments that are due and how you will make them. Develop a budget based on your financial obligations and stick to it!



It's all about you

As a consumer, you have a right to your credit report and you can see if anyone else has requested it in the past year. If you find anything wrong on your report, correct it with the credit bureau or creditor directly or add your own explanations so that everything is on track and accurate.

If you feel you have been a victim of fraud, contact three major credit bureaus and request a fraud alert on your name and social security number.

Equifax 1-800-525-6285 or fraudalerts.equifax.com
Experian 1-800-397-3742 or experian.com/fraud
Trans Union 1-800-680-7289 or transunion.com

Social Security Administration (fraud line)
1-800-269-0271.

When you apply for credit, don't forget to request all information about interest rates, the amount of your expected payments, and any possible fees. You can't be denied credit due to gender, marital status, religion, age or national origin. You have rights under the Consumer Credit Protection Act if you feel you have been unfairly treated.



PROTECT yourself



Identity theft can be a serious threat to your credit report and financial security. If a person gets a hold of your driver's license, Social Security number, and basic personal information, they can assume your identity to open up a new bank account or credit card.

Guard your personal and financial information closely and when checking your credit report, look for any account activity that is not your own. Here are more simple ways to protect yourself:

- > Monitor your credit card and account information on a regular basis.
- > Shred all sensitive documents and cut up any cancelled or promotional credit cards.
- > Install anti-virus and anti-spyware software on your computer.
- > Don't share your personal identification number (PIN) with friends or roommates.
- > Change your online passwords regularly.
- > If you've applied for a new credit card and don't receive it in a timely manner, call the company to see when the account was established, if the card has been sent and if the account has been activated.
- > Report lost or stolen ID cards, license, credit cards or personal information immediately.
- > When using your card at checkout, don't offer any personal information like address, phone number, Social Security number, etc.

Get Your Credit on Track!

Start today!

Remember these five easy ways to get your credit on track.

- 1. Be careful what you sign up for.** Every card and every swipe and every payment counts on your credit history. Don't sign up for more credit cards if you have outstanding balances on existing cards that you cannot pay down.
- 2. Be on time. Every time.** The best way to build good credit is to be a responsible borrower. Pay your bills on time to avoid costly fees and long-term credit history issues.
- 3. Budget. Budget. Budget.** Know what you need to spend, when and for what reasons. Keep your purchases under control so your debt doesn't build up with costly interest.
- 4. Study the numbers.** Keep a close eye on your credit score. Request your credit report on a yearly basis and make sure all information is current and correct.
- 5. Make good history.** Never forget that your purchases and payments now will impact your financial future directly. Credit history is easier to build than it is to re-write, so stay on track.