



# **Building a Strong Financial Future &**

## **Understanding Credit**

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# Our Goals today

- Big banks vs Small banks or Credit Unions
- Checking Accounts vs Savings Accounts
- Credit

# Tell me about you!!!

1. Tell us your name

2. Answer the question that corresponds to your Starburst

**Pink:** If I gave you \$2500 today, what would you do with it?

**Yellow:** What are you hoping to learn in this presentation?

**Red:** You just won the lottery! What would you buy?

**Orange:** UTEC!! What do you envision yourself doing when you are done at UTEC?

*Empower yourself with financial knowledge by getting smart about banking & credit*



# Financial Institutions

## Large Banks

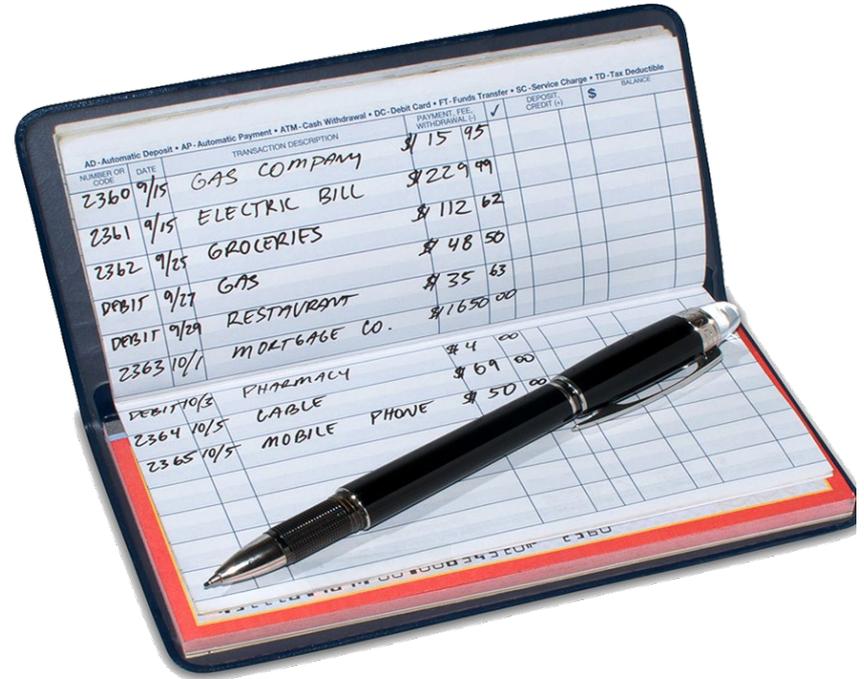


## Community Banks Credit Unions



# Checking Accounts

- **TRANSACTION ACCOUNTS**
- **PAY BILLS**
- **BUY THINGS**
- **WRITE CHECKS**
- **USE DEBIT CARD**



# Savings Accounts

- **LET YOUR MONEY GROW**
- **KEEP YOUR MONEY SAFE**
- **SAVE FOR A RAINY DAY**
- **EARN INTEREST OVER TIME**



# CREDIT ADVANTAGES

- **USE TO BUY ITEMS NEEDED NOW**
- **HELPFUL IN EMERGENCY SITUATIONS**
- **HELPS DEVELOP GOOD CREDIT SCORE**
- **SOME CREDIT CARDS OFFER BENEFITS**



# CREDIT Disadvantages



- **POTENTIAL FOR MISUSE**
- **NEGATIVE IMPACT ON CREDIT SCORE**
- **HIGH INTEREST RATES**
- **INCREASED DEBT**
- **FEES**

# Revolving Credit vs Installment Credit

Revolving credit, as seen with credit cards, allows borrowers to repeatedly access and repay funds, up to the credit limit.

Installment credit, like personal loans or mortgages, involves borrowing a lump sum and repaying it in fixed installments over time.



# Types of Credit

## Single Payment Charge:

Charges are paid in-full each billing cycle. Payments are not spread over time.

- American Express
- Utilities, medical services
- Some retail businesses

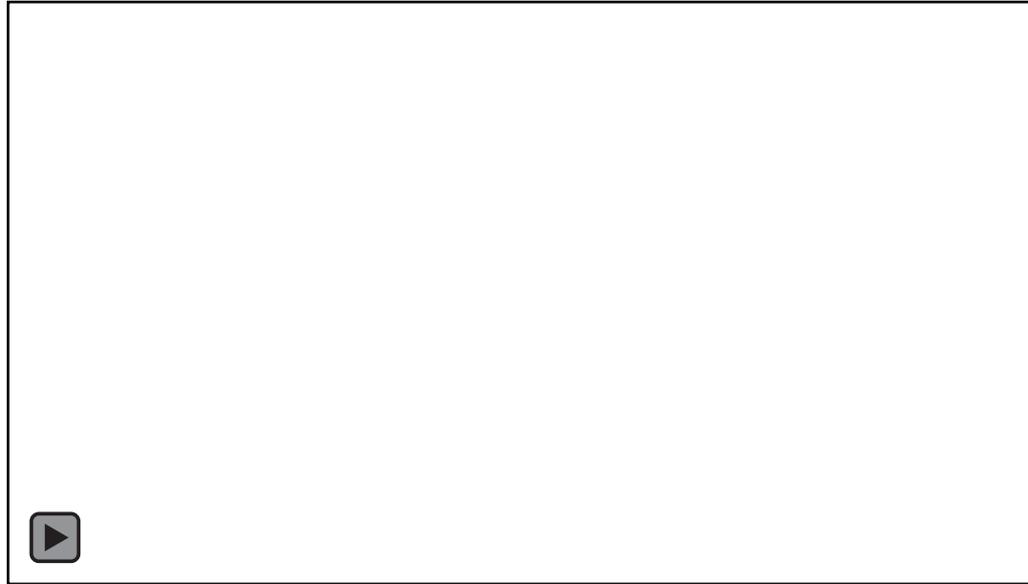
## Revolving Credit:

Goods and services can be paid using revolving credit, such as credit cards, as long as the amount does not exceed the credit limit. Repayment is made at regular intervals and includes interest and a portion of the principal.

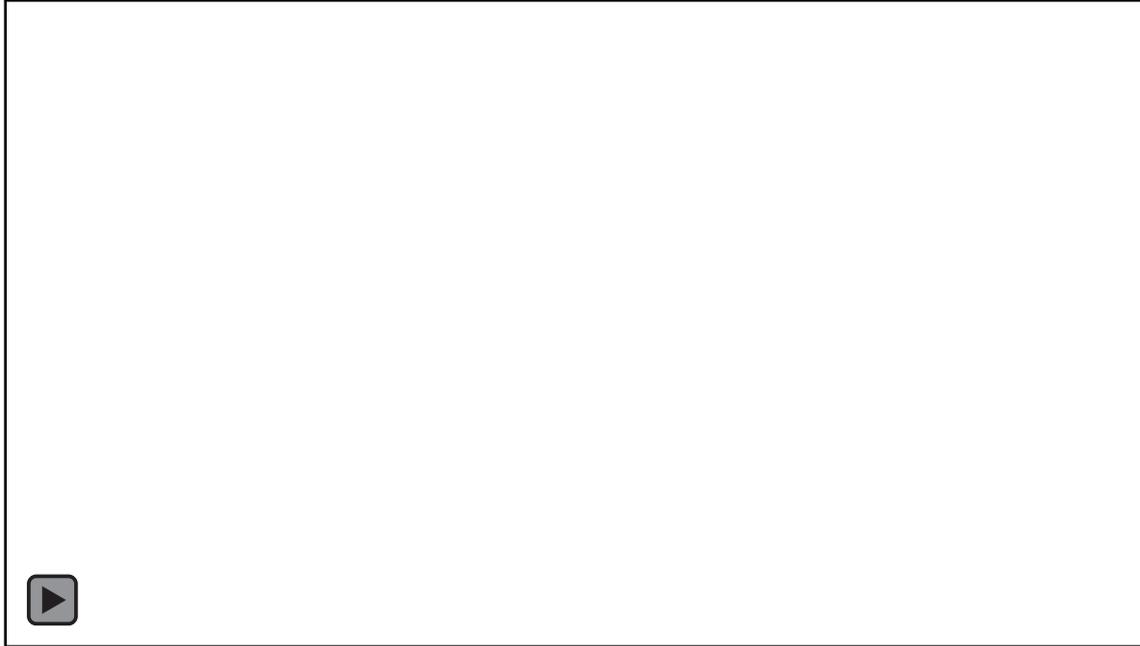
- MasterCard, Visa, Discover
- Retail credit cards
- Financial institutions



# Why Is Your Credit Score Important?



# What is a Credit Report?



# Credit Score Values

## 800 or higher

- Well above the average score
- Usually, an easy loan approval process
- Only 1% of these borrowers are likely to become seriously past due

## 740-799

- Very good score
- Borrowers may qualify for lower interest rates
- About 2% of these borrowers are likely to become seriously past due

## 670-739

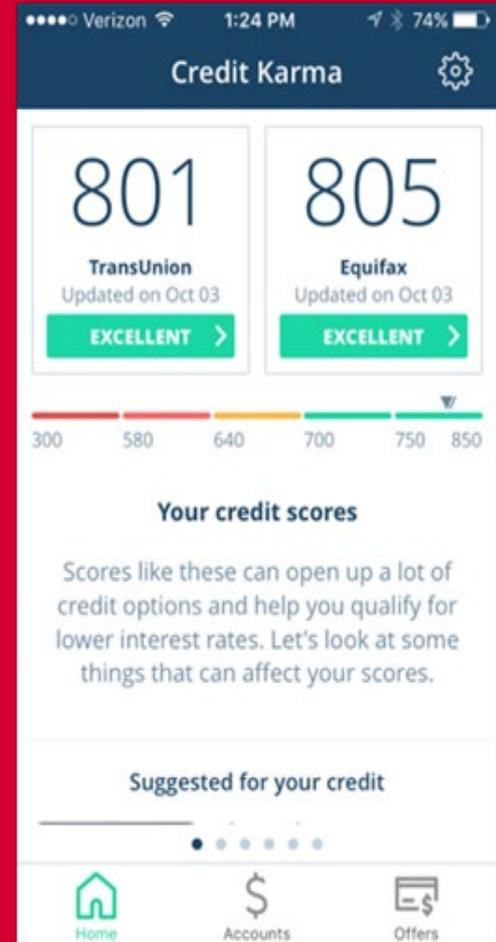
- Good score
- Lenders consider this score “acceptable”
- Around 8% of these borrowers are likely to become seriously delinquent

## 580-669

- This score is below average
- These borrowers are considered “sub-prime”
- About 28% of these borrowers are likely to become seriously past due

## 579 or lower

- Very low score
- Likely to have prior past due accounts or bankruptcy
- Around 61% of these borrowers will likely become seriously delinquent





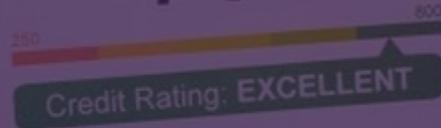
# The Responsibility of Debt

- Only borrow what you can repay
- Understand the credit contract
- Pay on-time
- Notify your creditor if your situation changes and you cannot pay on-time
- Report lost or stolen cards immediately
- Don't share your personal information unless you know the purpose is legitimate
  - Card or account numbers
  - Identification numbers

# Credit Report

Your Credit Score is:

765



Excellent:	700 - 800
Good:	501 - 700
Fair:	351 - 500
Uncertain:	301 - 350
Poor:	250 - 300

## Report Summary

### Timeline Overview

Total	37
Unpaid	32
Current Neg:	0
Historical Neg:	1

### Account Status

Current Past Due:	\$0
Accts Paid:	1
Account Balance:	\$113,450
Monthly Payment:	\$1,842

Let's talk about strategies to build credit!

1. Open a Starter Credit Account
2. Pay Bills on Time
3. Use Credit Sparingly
4. Become an Authorized User
5. Apply for a Student Card
6. Build Utility and Rental Payment History
7. Regularly Check Your Credit Report
8. Be Patient



**Remember that building a credit history is a gradual process, and you'll need to show consistent responsible credit behavior to establish a positive credit history over time.**



# Rebuilding a Strong Credit History

**Personal Get Smart About Credit Day**  
**Third Thursday in October**

# Strategies for Rebuilding Credit

1. Check Your Credit Report
2. Create a Budget
3. Pay Bills on time
4. Reduce Outstanding debt
5. Negotiate with creditors
6. Avoid New Debt
7. Diversify Your Credit
8. Seek Professional Help
9. Be Patient

Success stories of rebuilding Credit (Danny)



# Avoid Pitfalls/Scams

*High Interest Pay Loans*

*Title Loans*

*Loan Flipping*

*Hidden Fees and Penalties*

*Advance Fee Loans*

*Debt Relief Scams*

*Ponzi Schemes*

*Identity Theft*

*Fake Credit Repair*

*Online Shopping Scams*

*Tech Support Scams*



# Manage! Manage! !



- Create a Budget
- Set Spending Limits
- Prioritize Debt Repayment
- Emergency Fund
- Monitor Your Credit
- Pay Bills on Time
- Avoid Unnecessary Credit
- Save for Future Expenses
- Seek Professional Advice

Remember that responsible credit management is a key component of a healthy financial life, and budgeting is a crucial tool to help you achieve that.

# A Little Trick

## How Much Can You Afford? (The 20/10 Rule)

- Never borrow a total of more than **20%** of your annual net income
  - For example:
    - If you earn \$400/month after taxes and other deductions, your annual net income is  $\$400 \times 12 \text{ months} = \$4,800$
    - $\$4,800 \times 20\% = \$960$
    - In this example the safe amount of debt is \$960
- NOTE: Housing, utilities, food, etc. are not part of debt for this calculation
- Monthly payments should not exceed **10%** of your monthly net income
  - For example:
    - If your monthly income after taxes is \$400, your debt payment should be
    - $\$400 \times 10\% = \$40$
    - The safe debt payment is no more than \$40/month

# Credit Counseling and Resources

- Lawrence Community Works (Credit Counseling)
- Budgeting Apps
- Free Credit report    [www.annualcreditreport.com](http://www.annualcreditreport.com)

Questions?