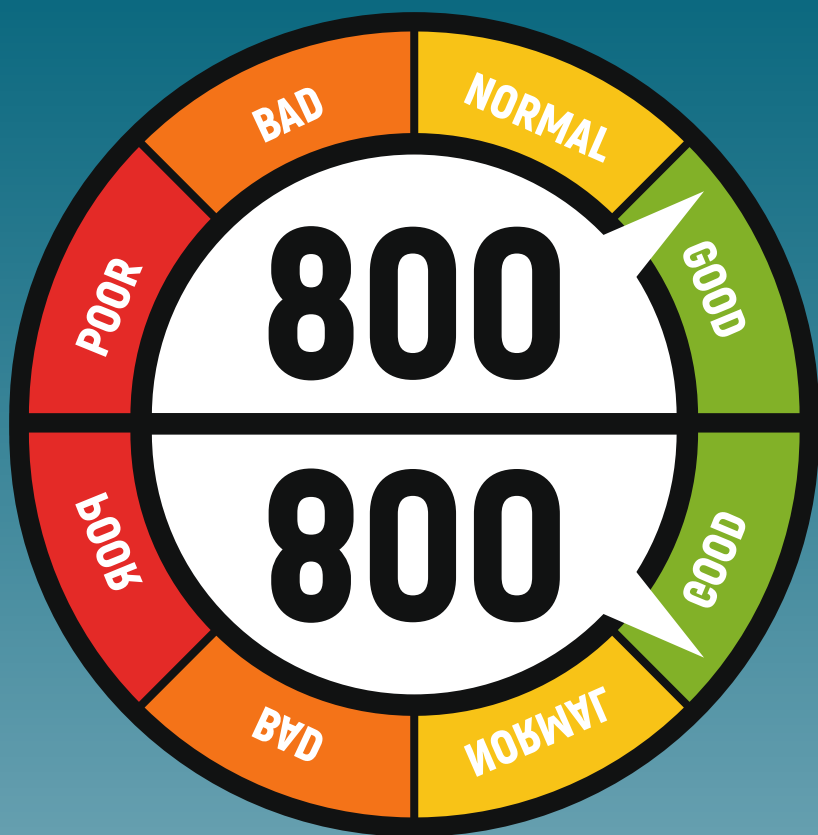




# ***CREDIT CRASH*** ***COURSE!***



A **STEPHONOMICS** MINI-COURSE



# **CREDIT CRASH** **COURSE!**



**Credit Crash Course: Part 1 -  
Credit Essentials**



**Credit Crash Course: Part 2 -  
Credit Bureaus & Credit Scores**



**Credit Crash Course: Part 3 -  
Credit Repair**

**A STEPHONOMICS MINI-COURSE**

# CREDIT.

Credit is money borrowed from a lender that typically has to be paid back with interest – a fee paid for borrowing.



Credit can be used to purchase things you may not have the cash to purchase.



**\*Using credit adds to your debts (or the amount of money you owe and must pay back. If not managed well, it can be overwhelming to your finances\***



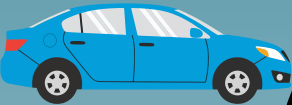
# TYPES OF CREDIT.

There are 3 types of credit:

1. **Revolving Credit** - Repeated borrowing up to a set limit. As the balance is paid, available credit is replenished. Requires minimum payments but you can pay more.



2. **Installment Credit** - A fixed amount of money borrowed and repaid in equal fixed payments over a set period of time.



3. **Open Credit** - A type of credit often tied to services with payments due in full each month often based off of usage.



# ***TYPES OF CREDIT*** ***EXAMPLES.***

Revolving Credit	Installment Credit	Open Credit
<ul style="list-style-type: none"><li>• Credit Cards</li><li>• Home Equity Lines of Credit (HELOC)</li><li>• Personal Loans</li></ul>	<ul style="list-style-type: none"><li>• Auto Loans</li><li>• Student Loans</li><li>• Mortgages (Home Loans)</li></ul>	<ul style="list-style-type: none"><li>• Utility Bills</li><li>• Charge Cards</li></ul>



# LENDERS.

Lenders that allow you to borrow money are typically banks or credit unions. This is actually a key factor in how they make money (via interest).



Lenders will typically *approve* or *deny* your request to borrow money depending on your *likelihood and ability to repay the loan*.

# Credit Applications.

To acquire credit one must submit a credit application with a lender. This application will typically require the following information:

- **Legal Name**
- **Date of Birth**
- **Address**
- **Social Security Number (or ITIN)**
- **Income** (Annual Before Taxes)
- **Employment Status**
- **Contact Information** (Phone/Email)

*\*Additional:* In some applications tied to larger loans you may be required to provide the following:

- **Paystubs/W2/Proof of Income**
- **Tax Returns**
- **Housing Costs** (Rent/Mortgage Payment)



# Credit History.

Your credit history is a detailed record of how you've managed borrowing and repaying money, demonstrating your level of financial responsibility via information in your credit report. Your credit history will include:

- **Payment History**
- **Amounts Owed** (Outstanding Balances)
- **Types of Credit Used**
- **Credit Utilization**
- **Length of Credit History**
- **Credit Inquires**
- **Negative Marks** (Bankruptcies, Foreclosures, or Collections)

Your credit history is a key part of your financial identity and can impact any or all of the following:

- **Ability to get Loans/Borrow Money**
- **Ability to Rent a House or Apartment/Secure a Mortgage**
- **Insurance Costs**
- **Employment Opportunities**





# Credit Bureaus.

There are three major Credit Bureaus in the United States (**Experian**, **Trans Union**, and **Equifax**): Their job is to *collect and retain information on your borrowing and payment behavior*, then use it to *create credit reports and generate credit scores*. Here is everything they do:

- Track loans, credit cards, payment history, and balances.
- Record late payments, collections, bankruptcies, etc.
- Provide credit reports to lenders, landlords, employers (in some cases), and insurers.
- Help determine whether you get approved for credit and at what interest rate.

## KEY POINTS

- **Experian**, **Trans Union**, and **Equifax** are *three separate companies*, so details of your report between them can vary.
- You legally are entitled to *one* free credit report per bureau per year at [AnnualCreditReport.com](https://www.annualcreditreport.com)
- Credit Scores can *differ* between the three bureaus as lenders report to one, two, or all three.



# Credit Score.

One of the key determining factors in being approved for credit or loans is your **Credit Score**. This simple number determines your **creditworthiness** and is based off of your **credit history** and **credit reports**. These scores are broken down as follows:

- **Payment History** (35%): The most important factor, whether bills are paid on time.
- **Amounts Owed/Utilization** (30%): How much of your available credit is being used. Staying under 30% is recommended, but to maximize your score, staying under 10% is ideal.
- **Length of Credit History** (15%): The average age of your credit accounts, the age of the oldest account, and how long specific accounts have been open.
- **New Credit Accounts/Hard Inquiries** (10%): Opening new accounts and recent credit pulls/inquiries (short-term negative impact (typically 12 months))
- **Credit Mix** (10%): Types of credit held; diversity positively impacts your score.



# Credit Repair.

Repairing your credit is key to brightening your financial future. A reversal from bad to good credit will create better opportunities to borrow for large purchases such as home or auto loans at significantly lower interest rates.

Here's the best ways to fix your credit:

1. Go to [AnnualCreditReport.com](https://www.annualcreditreport.com) and look for:

- Errors
- Collections that should be removed
- Accounts marked late but paid on time

\*Any errors should be disputed *immediately* (online is fastest)\* (High Impact/Effect: 30-60 day improvement)

2. Start Paying your Cards/Loans ON TIME

- High Impact
- Effect: 30-60 days, must be consistent.

3. Pay Down the Highest Balances

- High Impact
- Effect: within days of the balances updating.

4. Call Lender to Remove Late Payments

- Low Impact
- Effect: 30-45 days, must be currently consistent in payments.

5. Strategic Collections Removal:

- Settle for lower than the amount used with deletion
- Dispute collections if: no contract was signed, dates or amounts are incorrect, or the debt is extremely old.
- Medium-High Impact
- Effect: 30-60 days

6. Become an Authorized User:

- Ask someone with *perfect payment history*.
- Don't receive a physical card, just benefit from their account standing.
- Medium-High Impact
- Effect: 7-30 days

7. Stop Applying for New Credit (Temporarily)

- Low Impact

# Credit Repair Continued.

## ADDITIONAL NOTES:

- Pay **BEFORE** your statement date.
- **KEEP** old accounts open (do not close old accounts, it will drop your score)
- Set up **AUTOPAY** to ensure consistent payments
- Use only 1-2 cards lightly.





# QUIZ

***TEST YOUR KNOWLEDGE ON  
CREDIT.***



<https://docs.google.com/forms/d/e/1FAIpQLSdIdzuexVvCEYGH-3T7suH22zMSSMtGuHnNdtDkzunBVh7bbw/viewform>