

The WISE USE of CREDIT



Springboard[®]
Nonprofit Consumer Credit Management, Inc.

Promoting Financial Literacy

Copyright © 2011 by Springboard Nonprofit Consumer Credit Management. This publication is copyrighted. All rights are reserved. No part of this book may be used or reproduced in any manner whatsoever without prior permission of Springboard Nonprofit Consumer Credit Management.

Legal Disclaimer: Liability claims regarding damage caused by the use of any information provided will be rejected. Information presented is to the best knowledge of the author and editors correct; however, if the reader intends to make use of any of the information presented in this publication, please verify information selected. No information provided here, or materials referenced, is intended to constitute legal or tax advice. You should not rely on our statements (or materials referenced) for legal or tax advice and should always confirm such information with your lawyers or tax professionals, who should be responsible for taking whatever steps are necessary to check all information and personally ensuring that the advice these professionals provide is based on accurate and complete information and research from any available sources.

About Springboard

Springboard is a nonprofit organization founded in 1974.

We offer personal financial education and assistance with money, credit, and debt management through educational programs and confidential counseling.



Accredited by the Council on Accreditation (COA)

CREDIBILITY • INTEGRITY • ACHIEVEMENT



Member of the Association of Independent Consumer Credit Counseling Agencies (AICCCA)



Certified by the Department of Housing & Urban Development (HUD)



Member of the Better Business Bureau (BBB)



Member of the National Foundation of Credit Counseling (NFCC)

Our Services Include:

- Credit and Debt Counseling
- Financial Education Programs (seminars and materials)
- Debt Management Plans
- Homeowner Assistance (Foreclosure Prevention)
- First Time Home Buyer Seminars
- Reverse Mortgage Counseling
- Pre-Bankruptcy Budget and Credit Counseling
- Bankruptcy Pre-Discharge Financial Management Instructional Course

“The Power To Move Beyond”

Headquarters Office: 4351 Latham St • Riverside, CA 92501
Mailing Address: P.O. Box 5438 • Riverside, CA 92517-5438
800.947.3752 • fax: 951.328.7750
www.credit.org • e-mail: education@credit.org

Introduction

Surveys show that only 12% of high school seniors learn about money management in school. Most of us can't remember learning about finances and how to handle our money while we were students, because chances are we didn't.

Historically, it has been up to parents to teach their children the skills needed to make smart choices, pay off debt, and build savings.

Unfortunately, most of us end up learning these lessons the hard way after we've moved out on our own. We fall into every trap at least once before we learn to avoid them.

It is clear to us at Springboard Nonprofit Consumer Credit Management that there is a pressing need to provide financial education to our clients and the community at large. The importance of credit and financial education is built into our mission statement:

Springboard is a nonprofit organization dedicated to consumer advocacy. We seek to strengthen our community and improve the lives of consumers by offering services that promote financial literacy, homeownership and a healthy economy. Our mission is simple, yet vital: to offer education on the wise use of credit.

This booklet and the seminar were designed as part of our ongoing efforts to achieve this mission. The Wise Use of Credit is a lesson in obtaining and using credit responsibly.

For more information on Springboard's educational programs, call 800.947.3752 or email us at education@credit.org. You may also visit our website at www.credit.org to find out about more of the various services we provide.

The Cost of Credit

You didn't think using credit was free, did you?

Depending on the terms and conditions (the application and agreement you sign) your overall cost of using credit can be very expensive in the long run. While credit card companies provide a worthwhile service, many of them are driven by industry standards and their own stockholders to earn the maximum profits, and they are good at what they do.

Many credit cards are designed essentially to never be paid off; in most cases, consumers who only make the minimum required payment on a credit card balance will take over 20 -30 years to pay off that debt depending on the balance and additional charges/fees. Cardholders will incur a great deal of debt in that time.

TERMS AND CONDITIONS

Some of the most common terms and conditions you will find in a credit card agreement or offer:

- **Annual Fee:** The bank charge for use of the card levied each year, which can range from \$15 - \$300, billed directly to the customer's monthly statement.
- **Annual Percentage Rate (APR):** The cost of credit on a yearly basis, expressed as a percentage rather than a dollar amount. Creditors are required by law to disclose the APR.
- **Balance Transfer Fees:** The fee charged customers for transferring an outstanding balance from one credit card to another. Card issuers offer teaser rates to encourage balance transfers.
- **Cash Advance Fees:** A charge by the bank for using credit cards to obtain cash from the available cash. This fee can be stated in terms of a flat per transaction fee or a percentage of the amount of cash advance.
- **Default Purchase Rate:** If you default on your account, your card issuer, may sell your debt to another company or collection agency. If that happens, you could be responsible for a different, and higher rate.
- **Double Billing Cycle:** Some companies used to employ a double billing cycle, which means that while the due date on your statement referred to your minimum payment, the due date to pay off your entire balance was different. This kind of 2-cycle billing was made illegal by the Credit CARD Act of 2009.
- **Finance Charge:** The charge for using the card, comprised of interest costs and other fees. The finance charge can be calculated with the following formula: Average daily balance x Daily periodic rate x number of days in billing cycle.
- **Grace Period:** A time period during which a borrower can pay the full balance of credit due and not incur any finance charges. (Some creditors have in their terms and conditions no grace period and the finance charges are based on how many days the account carried a balance before being paid off. There is typically no grace period on cash transactions such as cash advance, balance transfers and the fees associated with the cash transaction).
- **Insurance/Protection:** Protection against loss of life, disability, unemployment, etc.. Pays or cancels your monthly payments for a time period, if consumer loses their job through not fault of their own. Policies and protection plans vary. Usually monthly fee is based on the amount of the credit card balance.
- **Late Fee:** The fee charged customers for paying late or less than the required minimum payment due by the due date.
- **Notice of Reaffirmed Debts:** If you have ever defaulted on a debt, be careful that your solicitations for "new" cards don't mention your old debts. Some credit card issuers buy old debts from other companies and then offer "new" cards to people in debt, only to shock the cardholder on their first statement with the old debt.
- **Overlimit Fee:** The fee charged customers for going over their credit line. Since the Credit CARD Act of 2009, customers must "opt in" to be able to go over their credit limit.
- **Reward Program Fee:** The fee charged customers to be enrolled in a rewards program. Some creditors do not charge a fee.
- **Transaction Fees:** Fees for various transactions. Like using your card for cash advances.
- **Universal Default Rate:** Was a policy that allowed creditors to punish borrowers who paid any creditor late. The Credit CARD Act of 2009 banned universal default in consumer credit card agreements.

The Cost of Credit

Based on these average daily balance examples, here is the interest you'll pay each year.

(This is only an estimate, not taking into consideration any new purchases or other fees that may change the amount of your balance.)

APR	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000
9.0%	\$90	\$180	\$270	\$360	\$450
16.0%	\$160	\$320	\$480	\$640	\$800
24.9%	\$249	\$498	\$747	\$996	\$1,245

As you can see, the longer you wait, the more you will pay. The best policy when it comes to credit cards is to pay the entire outstanding balance at the end of each month. Consumers who do so will build outstanding credit and pay significantly less interest.

THE THREE C'S OF CREDIT

Most credit card companies will pull your credit report from one of the three major credit reporting agencies, Experian, Equifax or TransUnion, and based on your FICO Score will either approve, decline or request additional information. When applying for a mortgage or auto loan, most lenders will look at all three credit reports and ask for more information from the following three C's.

Character

- Good credit report
- Character references
- Past use of credit (credit history)

Capacity

- Steady full employment or verifiable source of income
- Current living expenses
- Other financial obligations

Capital

- Current status of savings and investments
- Available collateral



* A 2006 survey by Braun Research found that...
 33% of consumers can't read or understand disclosure, or "fine print"
 20% couldn't find critical terms
 44% did not know their APR on their cards
 20% didn't know their credit limit
 70% were unaware of "universal default" policies

Credit CARD Act of 2009

The Credit CARD (Credit Accountability, Responsibility and Disclosure) Act of 2009, also known as the Credit Cardholder's Bill of Rights, made many important changes to the way credit cards are regulated.

With regard to your credit report and scores, the new law makes your score more important than ever. The law limits the fees creditors may charge, restricts the ways those fees can be imposed, and regulates the adjustment of the interest rates on your credit accounts. Because this increases the risk to the creditors and limits their ability to compensate for those risks with higher fees, they will only grant credit to people with the best credit histories and scores. Now, more than ever, your credit score is crucial to your ability to borrow money from credit card companies.

Another important change in the law affects younger consumers. Essentially, anyone under 21 will have a very difficult time getting a credit card under the new law. Most consumers aged 18-21 will need a parent to co-sign on any credit card they obtain. This means that the parent shares responsibility for their adult offspring's borrowing, and will have to repay the debts incurred if the borrower is unable to repay.

It is important that you set up a credit card account for your children when they reach age 18 and monitor their activity closely. This will give you the opportunity to protect yourself if the borrowing gets out of hand or there are repayment problems. And more importantly, this is how your adult children will establish a credit history and score that will allow them to borrow on their own when they reach age 21.

Be aware that while the Credit CARD Act protects consumers from unreasonable rate hikes and fees, there is no cap on the interest rate creditors may charge. You may find that credit will be more expensive going forward. That means higher interest rates across the board, and many economists expect annual fees to be the norm under the new law.

Here are some more provisions of the new law:

- A ban on universal default and 2-cycle billing
- Industry standard rules requiring creditors to accept payments as on-time if they are paid by 5pm on the due date
- Bills must be sent at least 21 days before the due date
- Creditors must disclose how long it will take a consumer to pay off a balance if only minimum payments are made, as well as a detail how much the debt will cost including principal and interest after making minimum payments
- Customers must be permitted to pay by phone or internet without incurring additional fees
- Creditors must provide 45 days notice before increasing interest rates
- Interest rates cannot be raised within the first 12 months of a new account opening, and promotional rates must remain in effect for no less than 6 months
- Consumers must opt-in before they will be able to exceed their credit limit
- Payments in excess of the minimum must be applied first to the credit card balance with the highest rate of interest.
- If something happens that causes the creditor to raise your interest rate (if you miss a payment, for example) the creditor must now, by law, re-evaluate your credit standing after six months have passed. If you've had no more missed payments or other problems in your record during the intervening six months, the creditor must return your interest rate to where it was before you incurred a penalty rate. This is yet another reason to always work toward improving your credit history and ensure that your credit history is accurate and reflects positively on you.

Types of Credit Cards

Before applying for any type of credit or loan, it is important that you are aware of the different types of credit that are available to you and what is involved.

Private Label:

- Issued by a single source
- Can only be used at a single source
- Examples: Department stores, gasoline companies, furniture, jewelry, Goodyear

General Label:

- Issued by a single source
- Can be used in many places
- Examples: Bank card, Major Credit card (Visa, Mastercard, Discover, AMEX)

TYPES OF CREDIT CARD OWNERSHIP

While today there are many ways to apply for credit (online applications, pre-approved offers, in store rapid credit, mail in applications) before you sign, think about what type of applicant you want based on the responsibilities and understand the consequences of your decision.

Individual Applicant

Primary cardholder. Will report to your credit report as individual. Only person responsible/liable for the management and payments on the card.

Joint/Co-Applicant

Both primary cardholder and co applicant (joint cardholder) are equally responsible and liable for the management and payments on the card. Will report to both parties credit bureaus.

Authorized User/Buyer

May use the card for purchasing. Not liable for any responsibilities or payments to the card. Will report to authorized users credit report—listed as authorized user/buyer.

WAYS TO APPLY FOR CREDIT

- Online/Internet
- Pre-approved offers
- Mail in applications
- Instant credit in the store (Rapid Credit)

Under the new “Red Flags Rule” creditors must employ programs to prevent identity theft. You may face stricter application requirements and a more thorough verification process to establish your identity when applying for credit.

Shopping for a Credit Card

Under the Truth in Lending Act, creditors are required to disclose the cost of their credit products. You may use these disclosures to compare one credit card offer with another before filling out the paper application, pre-approved or online form.

Listed below are some questions to ask yourself before applying for credit and use the answers to compare the costs for each of them in the chart on the following page.

- Is there an introductory rate? What is it and how long does it last?*
- After that, what will my rate be?
- Is there an application fee?
- Are there processing fees?
- Is there an annual fee?
- Is there a late fee?
- Is there an over-the-limit fee?***
- Are there any other fees, like account termination fees or balance-transfer fees?
- When and how can a variable rate be changed?
- What is the grace period before interest is applied?
- How will you inform me of any changes in my contract?***
- Will the company inform me if I am about to go over my limit?
- What is the company policy if I have trouble paying my bill?
- May I pay my bill online?
- Is there a rewards program? Is there a fee for the program?



* By law, introductory rates must last at least 6 months.

**Under the Credit CARD Act of 2009, consumers must “opt-in” before they will be able to exceed their credit limit and incur an over-the-limit fee.

***Creditors are required by law to provide written notice 45 days in advance of any changes to credit card terms.

How to Reduce Credit Card Debt

If you find yourself with too much credit card debt, follow these suggestions to pay off those balances.

1. **Find out how much you owe.** This shouldn't be difficult, but remember that this isn't a static figure. Your balance will grow continually due to fees and interest. If you call your credit card company for a pay-off amount, ask them how long that amount will be valid.
2. **Pay more than the minimum.** Minimum payments are designed to keep you paying forever. After you pay down a portion of the balance on a given card, you may see the creditor offer to lower your monthly minimum payment. Don't take them up on the offer, continue paying more than the minimum.
3. **Send in your payment as soon as you get your bill.** Remember, you want to beat the deadline for the grace period so you won't incur any more interest than necessary. And a history of prompt payment goes a long way on your credit report. Remember if a portion or all of the balance you are paying down was a cash advance, the grace period does not apply.
4. **When you pay off one card, put those payments on another.** Keep installment debt payments at the same level, regardless of how many debts you've paid off. Your balances will shrink faster that way.
5. **Refuse your card issuer's offer of a minimum payment of zero.** If you're doing well paying down your debt, your creditors will offer a make no payment this month as you are paid ahead, you will not assess a late fee, but interest will still accrue.
6. **Refuse your card issuer's offer to skip a payment for a month.** Again freeing yourself from debt is your top priority. Skipping payment for a month might put more money in your pocket in the short term, but over time it will cost you.
7. **Consolidate your cards.** Transfer balances to the card with the lowest interest rate whenever you can. This does not mean applying for new credit cards just to get a lower interest rate, such as a balance transfer. This means between existing accounts. You want to avoid opening new accounts and credit inquiries.
8. **Refinance your high-rate credit card.** You may have had to accept a high-rate credit card if you were starting out and/or had a less than perfect credit rating. If your payment history has been solid and your credit has improved, you may be able to refinance to a lower rate; call your card holder and ask the customer service representative and/or the representative's manager for a lower rate.
9. **Consider using your savings to pay off your high-rate credit card balances.** Chances are a high interest rate is costing you far more than you would earn in interest from a typical savings account. That money may be better spent paying down debt than gathering smaller interest in a savings account.

How to Avoid Late Fees

With credit card late fees at \$39, this is no time to be the least bit tardy with your card payment.

- 1. Follow payment guidelines.** Each credit issuer is allowed to set specific payment guidelines. If any of the guidelines are not met, the issuer can take as many as five days to credit your payment. An on-time payment could easily become “late” during that five day period, so follow these payment guidelines carefully:
 - Use the preprinted envelope provided by the credit card company.
 - Include the billing coupon, and be sure to write the amount being paid in the box provided.
 - Make sure checks are legible and the payment amount is correct. Sign the check. Write the last 4 digits of the credit account number on the check. Write in blue or black ink.
 - Send payment with proper postage to the payment address requested by the issuer. It’s a good idea to mail your payment at least one week in advance of the due date. Ten days to two weeks prior is better.
- 2. Pay minimum immediately.** The safest strategy for anyone sending a credit card payment by snail mail is to pay the bill as soon as it arrives, even if you can only make the minimum payment. Giving your issuer the 2 percent minimum payment it wants ASAP is a great way to guard against late fees. And you can always send a bigger payment when you’ve got more cash.
- 3. Change your due date.** Are your credit card bills due at a time of the month when you’re running low on cash? Many credit card issuers will let you set your own due date— if you ask. Why not time it so your credit card bill arrives right after your paycheck? That way you’ll have plenty of cash to pay your bill each month.
- 4. Set up automatic online payments.** Paying bills online can be a great buffer against late fees. Most major issuers accept online payments. You can sign up for these services on the issuer websites. Choose an online payment amount and date that automatically covers the minimum amount due on a credit card each month, well in advance of your credit card due date. This is a great way to pay credit card bills while traveling.
- 5. Pay by phone.** Is a quick and easy way to make a last minute card payment. You’ll be asked for the numbers at the bottom of your check. Make note of your payment in your check book and void the check. Some issuers charge fees ranging from \$7.50—\$25.
- 6. Express mail or wire payment.** Consider sending a credit card payment by express mail or wiring the payment. The U.S. Postal service charges \$13.65 for an express mail flat rate envelope, which guarantees next-day delivery.
- 7. Good payers can ask for waiver.** Call and ask your issuer to waive the fee. Many issuers will waive late fees as a courtesy to customers with good payment histories.

How to Transfer a Balance

Before you transfer that credit card balance to a card with a super low introductory rate, read the fine print and ask questions. Otherwise you could end up paying fees and a much higher interest rate than you expected.

Ask these questions before transferring a credit card balance:

- 1. How long does the introductory rate last?**
- 2. What is the card's annual percentage rate after the teaser rate expires?**
- 3. Does the teaser rate apply to transferred balances or new purchases or both?**
- 4. Does that card have an annual fee?**
- 5. What about late fees and overlimit fees?**
- 6. Are there balance transfer fees?**

Read through the credit offer a few times. A lot of information is hard to decipher. For example, some offers waive fees for "initial balance transfers" only. These are the transfers that are authorized when the customer accepts the card and completes the balance transfer form. (Some issuers charge transaction fees as high as 4 percent. So the higher the balance, the higher the transaction fee. A 4 percent fee on a \$5000 balance would cost \$200).

In such cases, every balance transfer is treated as a cash advance and is subject to cash advance fees.

Keep in mind that not everyone who gets an offer qualifies for the super low rate. While an offer may boast a 3.9 percent teaser rate that jumps up to 17 percent after six months, a person may *qualify* for a card with a 7.9 percent teaser rate and a regular annual percentage rate of 21 percent.

Continue to make your payments on the credit card till your balance transfer is completed. You can always ask for a refund if you overpay.

Also realize that it may take only one slip-up for that super low rate to disappear. Some rates can jump as much as 11 percent after one tardy payment. And if you fall behind on payments on another card, your new card may raise your rate (universal default).

Remember that applying for a balance transfer on a new credit card will be authorizing the creditor to review your credit report, thereby creating a credit inquiry on your credit report. Inquiries, new accounts and high balances all affect your overall credit score. We will discuss this in the next few pages.

The High Cost of Ignoring Your Bills

It's common for people to become overwhelmed and wish to ignore their financial problems. Let's review what you may face if you stop paying your credit card bills:

1. Your creditors will assess late fees of \$39 or less per month
2. Finance charges will continue on the balances of your accounts
3. The creditors will likely raise your annual percentage rate (APR) to approximately 29.9 percent because you have not honored your contract
4. Once your balances exceed your credit limit, if they do not already, you will be assessed an over the limit fee of \$29 each month

CREDITORS CALLING

While credit card balances are growing quickly without payment, your creditors will contact you by phone regarding your unpaid bills. The calls will be persistent and will not stop unless you request so in writing.

With no response or payment from you, your creditors will turn over your accounts to a collection agency and calls will begin again. The collection agency will do its best to convince you to make payments and will often demand a lump sum payment.



BAD DEBT STAYS WITH YOU

After attempting to collect the debt with no results, the creditors will eventually charge off your debts as a bad debt and you may think that the situation is solved. However, the charged off accounts will appear on your credit reports and make it difficult for you to secure a mortgage or other loan and could affect your ability to obtain a job, get good car insurance or even rent an apartment. The charged off accounts may even be sold to another collection agency, and they will start calling or writing you about the debt.

TAKE THIS COURSE OF ACTION

Even though it can be tough to stop using credit and pay off your debt, it is a much better alternative than not paying your bills.

- Stop charging on your credit cards
- Communicate with your creditors—they may have a payment plan for you
- Work out a spending plan and pay as much as you can on your credit card bills
- Seek professional help from a nonprofit credit counseling agency if you are unable to get things under control yourself.

Know Your Credit Rights

All consumers should be aware of these laws to better prepare them for the costs of using credit and to protect them before and during the application process, when managing their credit, when denied credit, if a victim of identity theft, when disputing credit, and when dealing with debt collectors.

Truth in Lending Act -TILA (1968)

Consumers must be fully informed about the cost and conditions of borrowing.

Equal Credit Opportunity Act—ECOA (1974)

Prohibits discrimination in giving credit on the basis of sex, race, color, religion, national origin, marital status, age, or receipt of public assistance.

Fair Credit Reporting Act—FCRA (as amended 1997)

Protects the privacy and accuracy of information in a consumers credit report. Makes an Individual's credit files available to him or her.

Fair and Accurate Credit Transactions Act—FACTA (2003)

Added new sections to the Fair Credit Reporting Act, intended primarily to help consumers fight the growing crime of identity theft. Accuracy, privacy, limits on sharing, and new consumer rights. Provided everyone the right to get one free credit report from each credit bureau and a special website and toll free number.

Fair Credit Billing Act—FCBA (1975)

Sets up a procedure for quick correction of mistakes that appear on consumer credit accounts.

Fair Debt Collection Practices Act—FDCPA (1978)

Prevents abuse by professional debt collectors and applies to anyone employed to collect debts. Does not apply to banks or other businesses collecting on their own debts.

Identity Theft Assumption and Deterrence Act—(1998)

Officially makes it a crime for someone to fraudulently use your identifying information, including your credit accounts.

Credit CARD (Credit card Accountability, Responsibility and Disclosure) ACT—(2009)

Bans unfair fees and sudden rate hikes, requires creditors to use plain language in credit card marketing and monthly billing statements, and limits ability of consumers under 21 to obtain a credit card.

The Credit Report Terms

All consumers should be aware of the terms used in the process of an application for credit.

Credit History

- History of and individual's record of payments.
- One's credit behavior affects one's ability to get credit in the future.

Credit Bureau

- A business that collects information on the credit history of individuals and sells that information to potential creditors, employers, landlords, and insurance companies.
- Receives information from various places where individuals do business.

Credit Report

- Financial information collected businesses and used by lenders to determine creditworthiness of individuals.
- Contains personal and employment history on an individual.
- Includes payment history on all debts by an individual.
- Credit reporting companies do not make the decision of creditworthiness; they only supply the information. Lenders make the decisions.
- Individuals can contact credit reporting companies for a copy of their credit report. There may be a fee for the service; however, individuals who have recently been denied credit may request a credit report for free, if requested within 60 days from the date of denial of the credit application.

Credit Reporting Companies:

- Equifax www.equifax.com 1-800-685-1111
- Experian www.experian.com 1-888-EXPERIAN
- TransUnion www.transunion.com 1-800-888-4213

Credit Score

- A numerical rating based on credit report information that represents a person's level of creditworthiness. Typically a FICO Score is what is received from the credit reporting agency used for the credit decision. More on FICO Scores later. Other non-FICO scores are not used by creditors and are less useful to consumers.

Credit Rating

- A rating given to an individual by a credit reporting agency.
- Reflects past performance in paying debts.
- Projects future performance in paying debts.
- Positive rating may allow an individual to receive favorable consideration in loans and credit cards, such as lower interest rates.

Adverse Action Letter

- A letter sent to a consumer explaining the reason(s) for denial. This letter must say which credit bureau(s) were used in the decision and provide the address and phone number of the credit bureau(s) so the consumer can obtain a free copy of their report credit.

What is a FICO Score?

WHAT IS A CREDIT SCORE?

There are many types of credit scores. Fair Isaac Corporation developed the most widely used score model. It is a general risk score (some call it a rating) that indicates the probability of default. The FICO score ranges from 300-850.

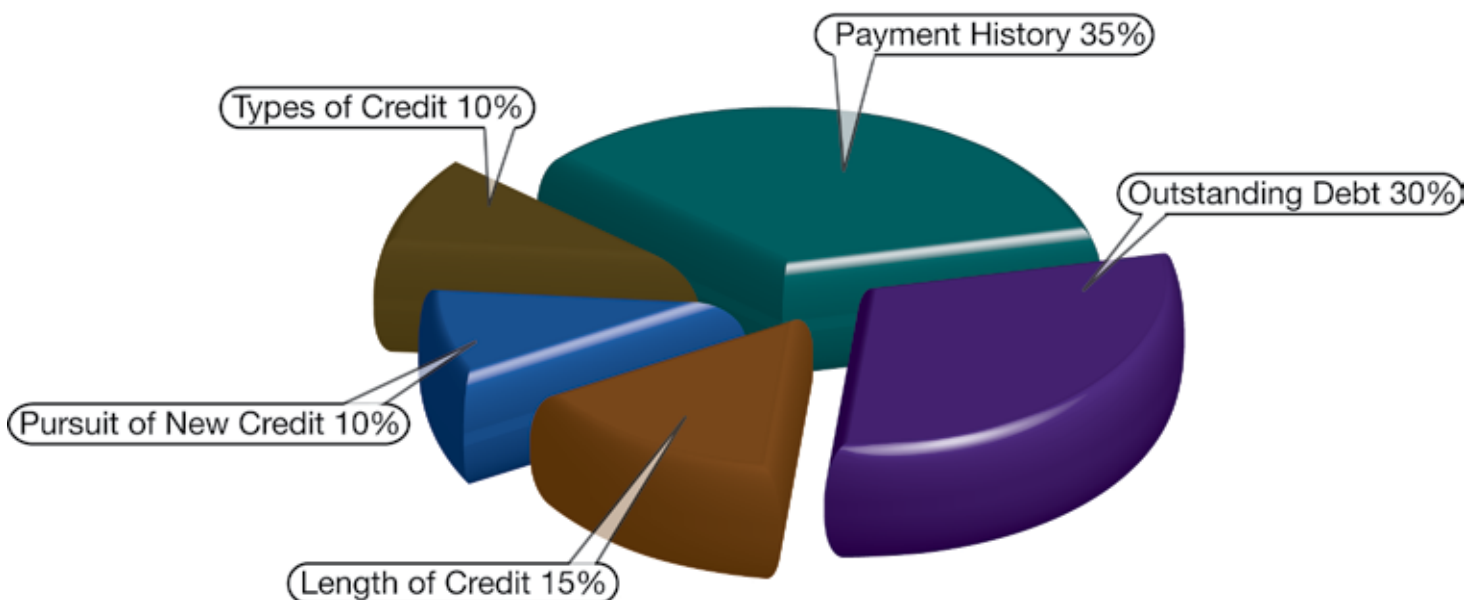
WHY ARE YOUR THREE SCORES DIFFERENT?

TransUnion's is called "FICO Risk Score Classic", Experian's is called "Experian Fair Isaac Model", and Equifax uses the true FICO score, privately labeled "Beacon." Within their scoring model are different scoring ranges. They are only true FICO scores if they are Fair Isaac's model. Also creditors and lenders don't always report your information to all three of the credit reporting agencies, so each of your credit reports may have differences.

WHAT AFFECTS YOUR CREDIT SCORE?

Your credit score is based on five factors. These factors and their percentage impact on the score's calculation are as follows:

1. 35% - Payment History (bankruptcies, late payments and collections)
2. 30% - Outstanding Debt (credit card balances and number of cards, also known as utilization)
3. 15% - Length of Credit (age of oldest credit card account, average age of accounts, time since accounts were used)
4. 10% - Types of Credit (bank cards, department store cards, finance companies, secured – mortgage/auto)
5. 10% - Pursuit of New Credit (number of inquiries from potential lenders and newly opened credit accounts)



You should review your credit reports at least once a year

- Can help detect identity theft
- Consumers should check their credit report themselves before they apply for a major loan

Where Can You Get a Copy of Your Credit Report?

The FACT Act of 2003 mandated that the three major national credit-reporting bureaus establish a website, a toll-free number and a mail address for consumers to request their credit report for free every year:

1 Go to the website www.annualcreditreport.com.* **MAKE SURE** you type the address in correctly, or you may end up at an imposter site set up by identity thieves.



- a. Type the exact address of the free report site, **INCLUDING** the www (that is, type www.annualcreditreport.com).*
- b. Verify that you are immediately redirected to the secure page: <https://www.annualcreditreport.com/cra/index.jsp> is the redirect address.
- c. Verify that the security lock is present in your browser.
- d. On the data entry page (the first page you visit after you tell the site what state you live in), verify that a “VeriSign security” symbol is present near the top right on the page. Click on the certificate to ensure that it is indeed the certificate for www.annualcreditreport.com.

2. Call by phone: 877-322-8228



3. To submit a request by mail, download the Annual Credit Report Request Form located at www.annualcreditreport.com/cra/requestformfinal.pdf and mail it to:

Annual Credit Report Request Service
P.O. Box 105281
Atlanta, GA 30348-5281.

(Keep in mind that the location of the form or file name may change.) Do not contact the credit reporting bureau directly as this is the only method to receive a free credit report.



Keeping Cards Safe

Avoiding identity theft is not simple, but there are several common sense things that consumers can do. The identity theft problem has been studied for several years and here are some suggestions for consumers:

Always

- Report lost or stolen cards immediately
- Check all statements against receipts

Never

- Lend your card to anyone
- Keep your PIN or Passwords in your purse or wallet
- Leave your card lying around
- Leave receipts lying around

Most credit card companies will tell you that while it can cost you that \$50, that fee is rarely applied. If your card's are lost or stolen or you feel someone is using your card without your authorization, call ASAP. You are supposed to report stolen or missing cards as soon as possible, or at least within 24 hours, for that zero liability luxury.

Then write. Follow up your call with a letter confirming the facts of the loss or the fraudulent charges on your statement, and also include details of your call (who you spoke to, when, etc.)

Be Prepared

Write down the names and account numbers of the credit cards that you carry in your wallet. Write down the toll free phone numbers (usually found on the back of the card) to call to report lost/stolen cards and keep this information where you keep your important private papers. Having this information easily available will help you if your wallet becomes lost or stolen.

RESOURCES

Bankrate.com has great credit card calculators, where you can see how long it will take to pay off specific balance amounts based on the annual percentage rate on the card and monthly payment applied.

<http://www.bankrate.com/brm/calculators/credit-cards.asp>

<http://www.bankrate.com/brm/calc/MinPayment.asp>

If you are looking to establish or re-establish your credit you may also review their website for secured credit card offers to compare the costs of their terms and conditions.

http://www.bankrate.com/brm/rate/cc_home.asp

www.credit.org
Springboard[®]

Springboard Nonprofit Consumer Credit Management, Inc.
4351 Latham Street
Riverside, CA 92501

PO Box 5438
Riverside, CA 92517-5438

1-800-WISE-PLAN (800.947.3752)

www.credit.org

springboard@credit.org



Credibility : Integrity : Achievement

