

Understanding Credit



Wave of the Future

Types of Credit

Revolving Credit: credit cards



Installment Credit: cars, personal, student



Mortgage: home, land



Service Credit: utilities, internet, phone



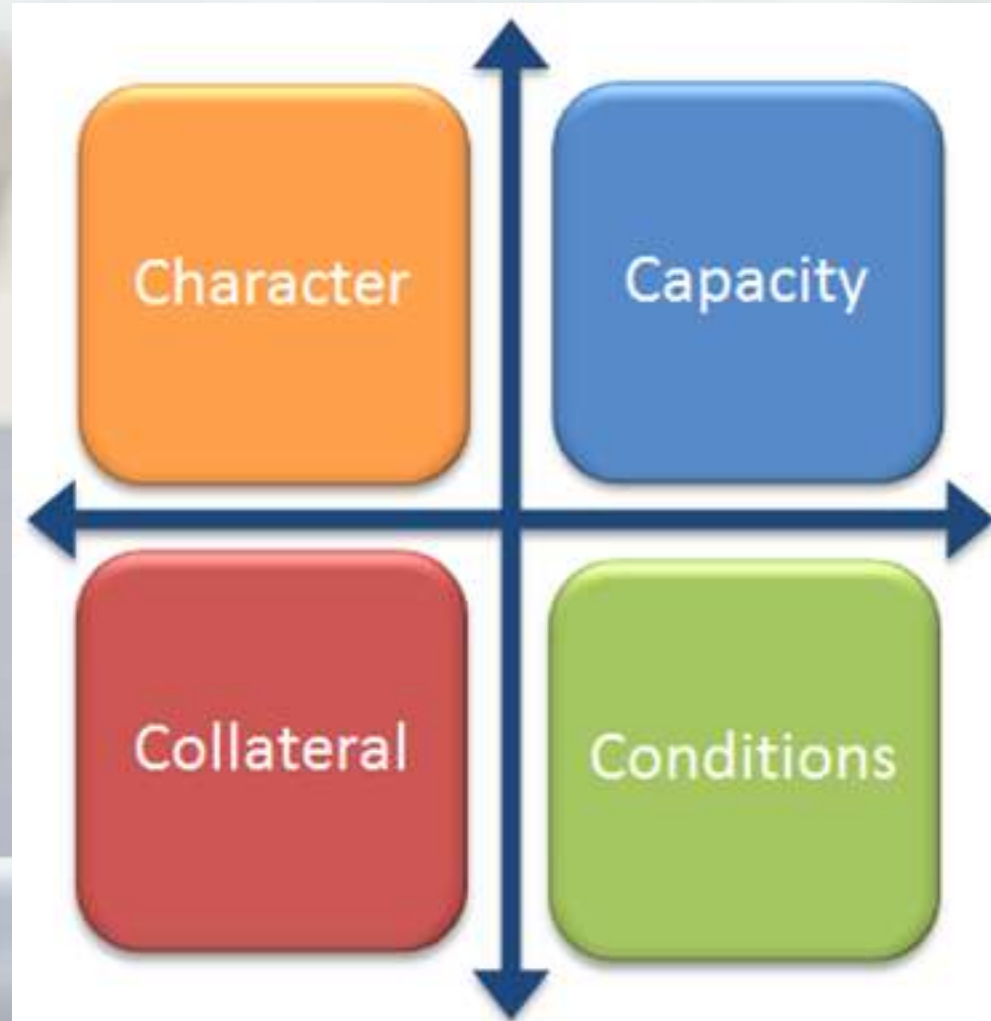
4 C's of Credit

Character: Risk Personality

Capacity: Ability to repay

Collateral: What if you can't repay?

Conditions: Market influences as well as personal habits



Cost of Credit Cards

Credit card companies **make** billions!

How?

- Interest
- Late fees
- Over limit fees
- Annual/membership fees
- Cash advancement fees
- Transaction fees



PAST DUE

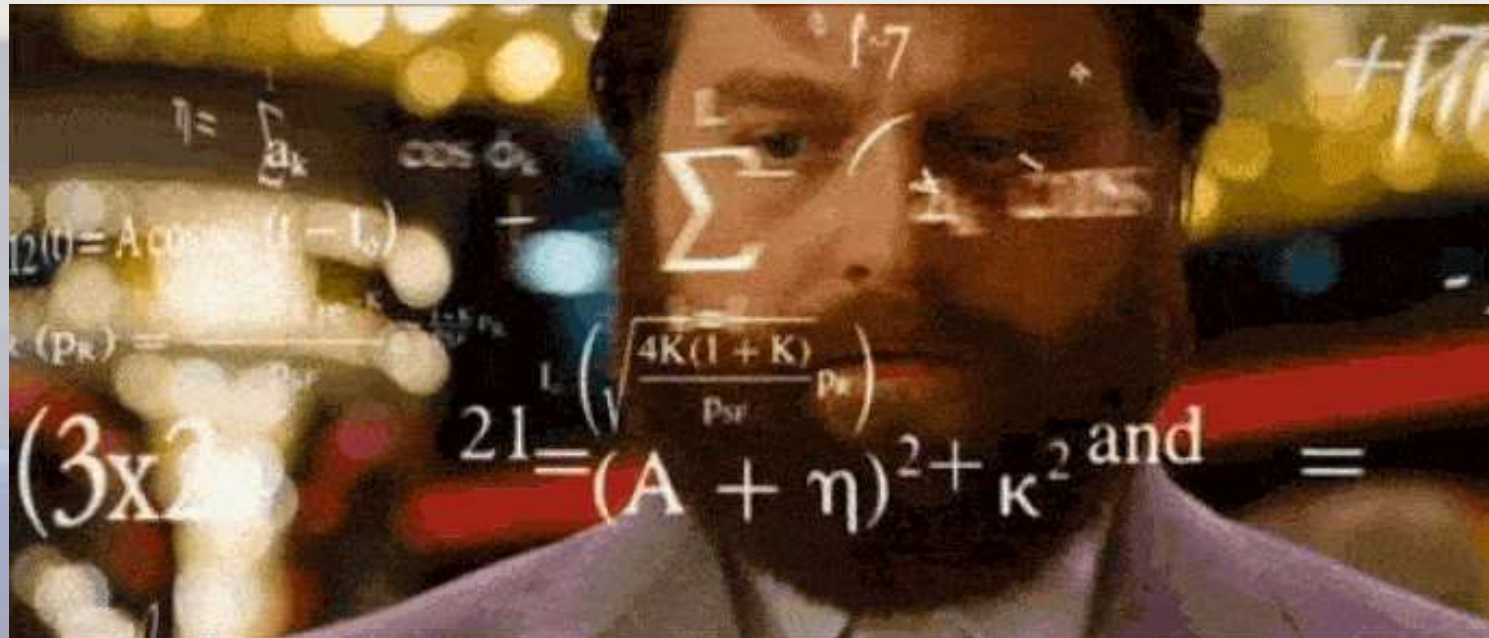
'FUN' nancing?

What if you only paid the minimum?
→ \$5000 home entertainment system
→ Name Brand Credit Card (24% APR)
→ Monthly Charge = 1% of balance + finance
How **long** would it take to pay off and what



Total Cost on Credit

It will take a whopping **21 Years and 4 Months!**
\$9,090 in interest alone! A grand total of \$14,090!



Pros of Credit

- Source of funds in an emergency
 - Cash back / rewards programs
 - Can help build your credit history
- Security from theft
 - Convenience

Cons of Credit

- Inability to pay will result in a poor credit history / score
- Costs / fees
 - Potential for overspending
 - Terms of the contracts
 - Target for scams and fraud



Big 3 Credit Bureaus

1. Experian, 2. Equifax, and 3. Transunion

You can get 1 free credit report per year from

AnnualCreditReport.com

Sites such as FreeCreditScore.com are **NOT** free!

Credit Report

Your credit report has:

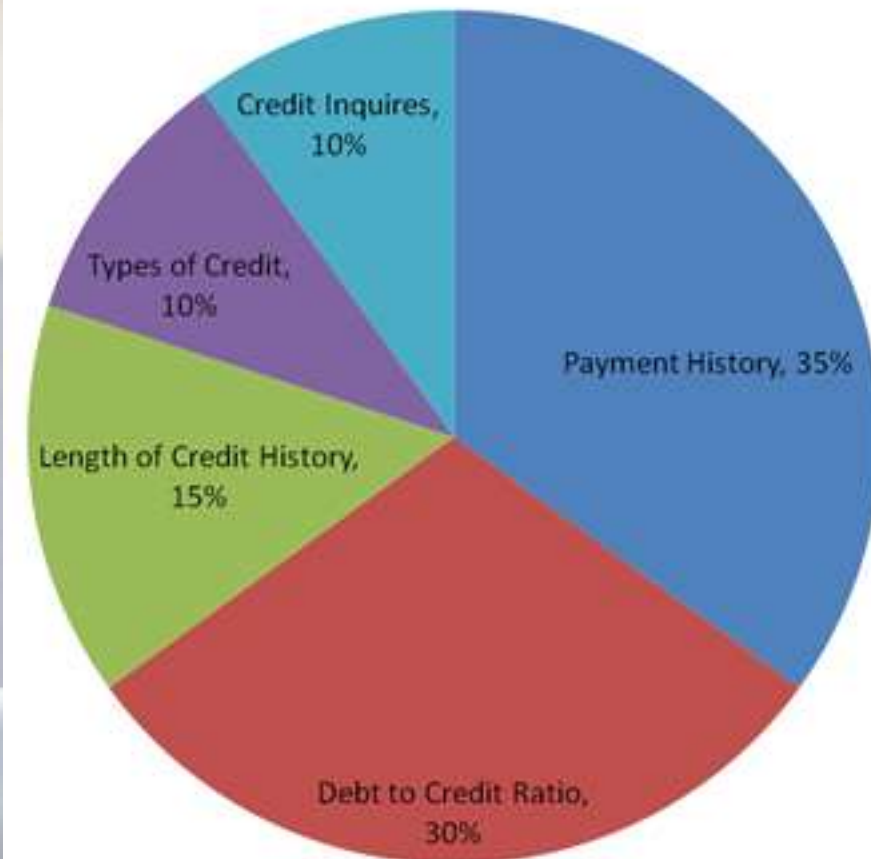
- **Identifying information:** name, address, SSN
- **Public records & collections:** bankruptcies, tax liens, foreclosures, wage garnishments, lawsuits, judgements
- **Credit accounts:** “trade lines,” sources of credit
- **Requests for report “inquiries”:** hard and soft inquiries

FICO[®] Score

5 Weighted Factors:

- 35% Payment History
- 30% Debt-to-Credit Ratio
- 15% Length of Credit History
- 10% Types of Credit
- 10% Credit Inquiries

Five Factors of FICO Score



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Questions?



Thank You!

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