

credit 101: a quick course on getting and using credit

Your credit history follows you wherever you go. It affects your future loans, housing and even employment. It pays to spend a few minutes to educate yourself on a few keys to getting and using credit. This resource guide covers:

- Your credit history
- Tips on maintaining good credit
- Advanced study—other credit resources

Your Credit History

Based on years of experience, financial institutions have found several key factors in assessing someone's ability to handle credit. When making a decision to issue credit, institutions use the "3 C's"—Character (your credit history), Capital (your assets that can be used as collateral) and Capacity (your ability to handle more credit).

When you apply for a credit card, lenders review your credit report that is kept on file by the three national credit bureaus—Equifax, Experian and TransUnion. The credit bureaus collect and maintain information including if you pay your bills, information about your credit cards, outstanding loans, such as student loans, and if you've ever filed for bankruptcy. How you pay your bills each month is reported to the bureaus and helps form the basis of your credit file.

In addition, due to USA PATRIOT Act regulations, lenders need to establish the identity and permanent address of each individual who applies for credit. Therefore, you may be asked to provide proof of your address, such as your phone or utility bill, in order to establish your identity and residence

Tips on maintaining good credit

- 1) Always pay your bill on time every month. Make at least the minimum payment, but if you can afford to pay more, do so. It will decrease your debt and interest charges in the long run.

- 2) Create a budget and stick to it. Avoid large impulse purchases—only purchase what you can pay off each month. Don't use cash advances to cover normal daily expenses as they typically have fees and higher interest rates associated with them.
- 3) Know your credit card interest rate, statement due date, and credit limit. Read the terms and conditions before you apply for the card and understand the Cardholder Agreement which comes with your new card. Keep in mind that fees are charged when you pay late and/or charge above your credit limit. Interest charges are added when your bill is not paid in full.
- 4) Keep in touch. If you change your name or address, notify your credit card company immediately. Most cards have a customer service number on the back of your card. You don't want to risk a late payment on your account because your statements are going to the wrong address. Also, contact the company if you cannot make a payment on your account for any reason.
- 5) Understand your credit report and check it often to verify its accuracy.
- 6) Protect your personal information. Never give out your credit card number or loan a card to a friend.
- 7) Report stolen or lost cards immediately. Keep a copy of your credit card company's name and customer service number, along with your account number in a safe and convenient place separate from your card. Call the company immediately to report the loss of your card and they will arrange to have a replacement card sent to you.
- 8) If you have trouble paying, seek assistance before debt gets out of hand.

Advanced study — trusted credit resources

Contact information for national credit bureaus:

Equifax
(800) 685-1111
<http://www.equifax.com>

Experian
(888) 397-3742
<http://www.experian.com>

TransUnion
(800) 888-4213
<http://www.transunion.com>

Other important credit resources:
Board of Governors of the Federal Reserve System:

<http://www.federalreserve.gov>
Consumer Credit Counseling Service:
<http://www.cccssf.org>

Federal Trade Commission:
<http://www.ftc.gov>

National Foundation for Credit Counseling (NFCC):
<http://www.nfcc.org>
<http://www.debtadvice.org> (Includes local NFCC agency locator.)