

Credit Cards, Debit Cards & Pizza



March 25, 2008

Spending is All About Access

- **Cash**
- **ATM Card**
 - Automated Teller Machine
- **Charge Account**
 - Business Arrangement
- **Credit Card Account**
 - Line of Credit
- **Debit Card**
 - Electronic checkbook

How Do I Get Credit?

- **Don't Worry, it will come to you!**
 - Subscription lists, contests, etc.
- **Auto Loans**
- **Student Loans**
- **Charge Accounts**
 - gas, store, clothing stores, etc.

Credit Bureau Agencies

- **Report Payment History**
 - lists how much is owed
 - reports how debt is paid back
- **All Lenders (including utilities)**
 - report each month
- **Individual Files Maintained**
 - available to other lenders

Who Checks Credit History?

- **Lenders**
- **Employers**
- **Landlords**
- **Electric & Gas Companies**
- **Cable Companies**
- **Telephone Companies**
- **Cell Phone Companies**

How Important Is Credit?

- **Difference between driving a nice car and a #!*? car!**
- **Car insurance companies sometimes require good credit for coverage**
- **Credit card payment structure is fundamental to Internet purchases**
- **Impacts your housing, job & student loan choices**

Good Credit vs. Bad Credit

- Monthly payments are paid before they are due
- More than the “*Minimum Payment*” is paid
- All doctors bills, hospital bills, utilities are paid in full
- Payments are not made when due
- Late charges are assessed
- Car is repossessed
- Evicted from home or apartment
- Collection agencies

TRADES

SUBSCRIBER SUB# KOB TYP TRM ECOA BALDATE ACCOUNT #	OPEN BALDATE LAST PD	AMT-TYP1 BALANCE MONTH PAY	AMT-TYP2 PYMT LEVEL PAST DUE	ACCTCOND MOS REV MAXIMUM	PYMT STATUS PYMT HISTORY BY MONTH
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*BANKBOSTON N A 1160239 BB UNK 65 2 30010145	10-91 4-30-97	\$9,163-0 \$1,288	\$1,863-C 3-96 \$1,288	CHARGOFF (68)	REPOSSES 99999999999999 9--8
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*MACYS EAST/FDSNB 1398040 ZR CHG REV 1 4202346540420	7-81 5-03-96 2-93	\$263-L \$0	4-93	CLOSED (99)	CUR WAS 120 NNNNNNNNNNNNNN NNNNNNNNNNNNNN
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** ACCOUNT CLOSED AT CREDIT GRANTORS REQUEST **

*CITIZENS BANK VISA 1218015 BC CRC REV 1 542688210	6-90 10-31-98 10-98	\$5,000-L \$1,310 \$26	\$2,523-H 12-96	CLOSED (99) 11-95/3	CUR WAS 90 CCCCCCCC-CCCC CCCCCC-CCC1C
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** ACCOUNT CLOSED AT CREDIT GRANTORS REQUEST **

*HOME QUARTERS/MBGA 1672216 FF CHG REV 1 CG440033105	4-92 6-13-96	\$71-H	\$71-C 6-96	PAID (1) B	CHARGOFF
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*CREDIT MANAGEMENT INC 3980798 YC COL 10 1 7354634	UNK 3-18-96	\$90-O \$0	\$240-H 3-96	PAID (10) B	COLLACCT
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ORIGINAL CREDITOR: HARRON CABLEVISION

BENEFICIAL 1500103 FP R/O 36 2 79110945429	7-91 8-30-94	\$90,984-O \$0	8-94	PAID (38)	CURR ACCT BCCCCC-CCCC CCCCCCCCCCCC
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*BENEFICIAL 1500103 FP CLS REV 2 89422497346	8-94 12-19-95	UNK \$69,506	12-95	OPEN (17)	30 6+ TIMES 1CC11111CCCC CCC
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*SEARS 1319410 DC CHG REV 1 38228138	12-82 11-28-98	\$2,436-L \$1,109 \$27	\$1,138-H 2-97	OPEN (99) 10-94/2	CUR WAS 60-2 CCCCCCCCCCCC CCCCCCCCC1C1
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END -- EXPERIAN

What the FICO?

Takes all of loan analysis and crunches it into one three-digit number

- **The higher the FICO – the better the stuff!**
- **The lower the FICO – not so much**

Best Way to Handle Credit

- **Start a Monthly Budget**
 - Track expenses; when they're due
 - Once a week balance your budget
- **Open a Checking Account**
 - Find a bank / credit union with reasonable fees
 - Track deposits and withdrawals
 - Get a Debit Card

Monthly Budget *"know your flow"*

	Gas	Clothes	Food	Spending Money	Gifts	Savings	Credit Card Pmt	Balance	Credit Card Purchases	
Balance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		
Pay Period	\$ 20	\$ 10	\$ 15	\$ 30	\$ 10	\$ 15	\$ 20	\$ 120 (= total income)		
Balance	\$ 20	\$ 10	\$ 15	\$ 30	\$ 10	\$ 15	\$ 20	\$ 120		
	(15)		(10)	(30)					15 15	
Balance	\$ 5	\$ 10	\$ 5	\$ 0	\$ 10	\$ 15	\$ 20	\$ 65 (= checking bal)		
Pay Period	\$ 20	\$ 10	\$ 15	\$ 30	\$ 10	\$ 15	\$ 20	\$ 120		
Balance	\$ 25	\$ 20	\$ 20	\$ 30	\$ 20	\$ 30	\$ 40	\$ 185		
		(15)	(20)	(25)	(20)		20 (50)		20	
Balance	\$ 25	\$ 5	\$ 0	\$ 5	\$ 0	\$ 30	\$ 10	\$ 95 (= checking bal)		

Gas – *for your car silly!*

- **Assume the following:**
- 1gal=20miles
- 15,000 miles/yr
- 1,250 miles/month
- 62.5 gallons/mo

Almost \$2,100 / yr!

<i>year</i>	<i>\$ / gal</i>	<i>Mo.</i>
1999	\$1.136	\$69.75
2000	\$1.484	\$91.38
2001	\$1.42	\$86.5
2002	\$1.345	\$82.06
2003	\$1.561	\$94.75
2004	\$1.852	\$113.25
2005	\$2.227	\$140.00
2006	\$2.572	\$158.31
2007	\$2.811	\$174.28

Source: U.S. Department of Energy, Energy Information Administration

Best Way to Learn Credit

Get a No-Fee, Low-Interest Credit Card

- Start with a “reasonable” credit line
- Keep track of credit card purchases in your budget
- Pay the balance of your credit card in full each month before the due date
- Treat the credit card as if it was **cash**

The Credit Card Contradiction

- Help you to establish credit history
- Can be dangerous if mishandled
- Online purchasing uses the processing system
- Can get you into trouble before you know it.

How Long Does It Take...?

- To pay off **\$500** in credit card balances if you only make the minimum payment? (rate = 18%)

– **\$1,000 ?**

– **\$5,000 ?**

– **\$10,000 ?**

- **2 Years, 8 months**
(*\$631.34*)
- **4 years, 11 months**
(*\$1,424.39*)
- **10 years, 1 months**
(*\$7,768.12*)
- **12 years, 8 months**
(*\$15,697.86*)

Where's the Pizza Anyway?

Large pepperoni with green peppers – 14.99

Paying just the minimum payment

\$23.72

Don't

- **Take money from other “buckets”**
- **Accept every credit card offer**
- **Accept merchant charge cards**
- **Charge it if you don't have the money for it**
- **Put apartment bills in your name alone**
- **Take cash advances for on-line poker**
- **Stay away from payday lenders**

On-Line Resources

- **www.myfico.com**
 - *Description & information*
- **www.annualcreditreport.com**
 - *Get a copy of your credit report*
- **www.practicalmoneyskills.com**
 - *Student section & Parent Section*
- **www.nhjumpstart.org**
 - *Clearinghouse*
 - *Links*




Questions?

Contact for additional information

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*Everyday spending decisions,
especially credit-based ones, can do
more harm to one's financial future
than any financial investment they will
likely ever make*

Alan Greenspan, retired Chairman, Federal Reserve Bank

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