



Using Credit

How to make good credit work for you

What is credit?

Credit is . . .

- The ability to borrow money temporarily (day, month, years)
- A promise to pay back the borrowed money in the future
- Not free.

You are the **borrower**. Whoever lends you the money is the **lender**.

Credit Basics

Why does credit matter?

- Can be **useful** in emergencies
- More **convenient** and safer than carrying large amounts of cash
- Allows you to make **large purchases** and pay for them **over time**
- **Other impacts:**
 - Ability to rent an apartment
 - Ability to get a job
 - Ability to obtain more credit if necessary

The “Three Cs” of Credit

- **Character**

Your reputation, credit history and job stability.

- **Capacity**

Are you able to repay the debt based on your income?

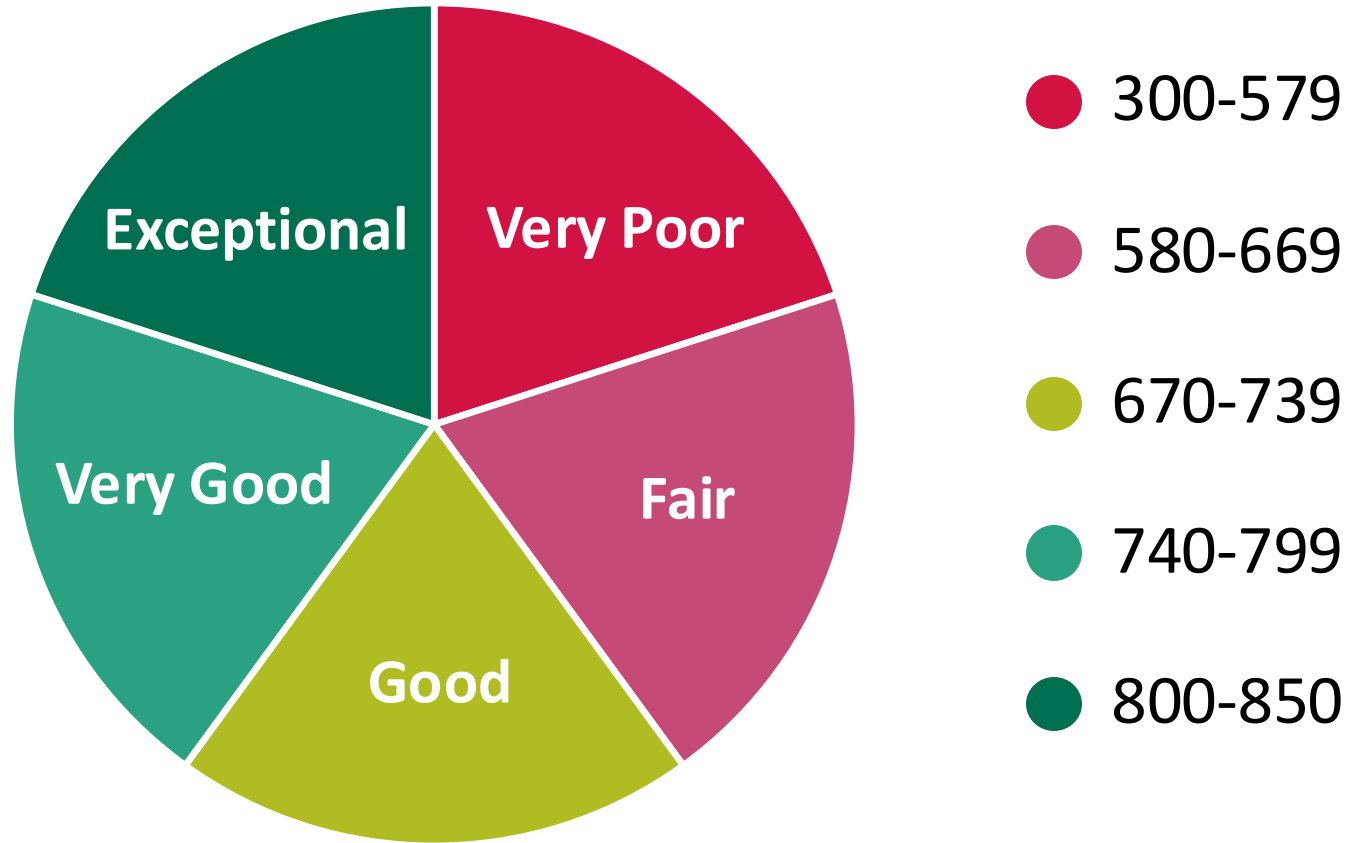
- **Collateral**

The property used to secure the loan (ex: a house)



- Payment History – On Time!
- Amounts Owed – Less than 30% of Available Credit
- Length of Credit History – Longer is Better
- Types of Credit Used – Bank Loan/Credit Card/Mortgage
- New Credit – Number of Inquiries in Past 30 Days

Credit Score Factors



Average for most people is 700

Credit Score Ranges