



WHAT IS CREDIT?

The ability to borrow money with the promise to pay it back plus interest.



WHY DO WE NEED CREDIT?

- Can be useful in an emergency situation
- Quick access to resources
- Can be more convenient than carrying cash.
- Large purchases can be paid over time



ACCESS TO VARIETY OF LENDERS



Reputable Lenders (banks, credit unions, non-profit organizations, etc...)

Predatory Lenders (rent-a-centers, pay day loans, neighborhood loan shark, etc.)



DECISIVE FACTORS WHEN APPLYING FOR CREDIT

5 Cs OF CREDIT

- C**APACITY: How much can you afford?
- C**APITAL: What do you own?
- C**OLLATERAL: If you do not pay your loans, how can you recover the money borrowed?
- C**HARACTER: How did you pay other lenders in the past?
- C**ONDITION of the market : Interest rates and general economic situation





WHERE DO LENDERS ACCESS MY INFORMATION

- They will access your Credit Report. A credit report is a summary of your credit history and personal information.
- Lenders can access all this information through 3 major credit bureaus: Equifax, TransUnion, and Experian.



EQUIFAX



You can access your own Credit Report for free through the Federal website

www.AnnualCreditReport.com

where you can pull your Credit Report once a year from each credit bureau. A good strategy is to check a different credit bureau every 4 months

What do I look for once I get my Credit Report?



ACCURACY

2 in 5 credit reports have inaccurate information that can hurt your credit score; these mistakes include misspellings of your name, wrong addresses, accounts that don't belong to you, or collections under your name. It is very important to correct those mistakes because they can indicate that your identity is at risk or has been stolen.



How long will the information stay on my Credit Report?

Positive information will stay on your credit report for 10 years and negative information will stay on your credit report for 7 years since the last activity that led that account into a collection.



Who is looking into your Credit Report?

There are two types of inquiries: Soft and Hard.

- Soft Inquiries:
 - are those that don't affect your credit. They are related to existing account lenders (they will monitor your credit to make sure everything is ok- not only with your accounts with them but with other lenders as well), promotional offers you receive in the mail and non-credit-related inquiries (for ex. landlords, prospective employers, etc.)



- Hard Inquiries:

are those made by you when asking for credit (for ex. Filling out a credit card application, applying for a store card, applying for a car loan, co-signing for your child's student loan, etc.). They can affect your FICO score, penalizing you 5 to 10 points for every application.

