

# Five Keys to Credit for Today

Presented by: Susan Taylor  
Extension Educator,  
Consumer and Family Economics



# 1. Know what's in your wallet



What can be removed?

# Guard your credit cards

- Sign card and activate immediately
- Only carry cards you will be using
- Memorize PIN numbers
- Cancel unnecessary cards



# Be careful about personal information

- Don't keep personal numbers in your wallet
- Use caution when giving credit card, Social Security, bank account numbers over the phone, on the Internet, or by mail



# Identity Theft Happens



- Take an inventory of what is in your wallet
- Put the list of the contents in your permanent file.
- If something happens
  - 1. Contact the Police department and get a copy of the police report
  - 2. Contact credit card companies and close accounts
  - 3. Notify your bank and close accounts
    - **Checking, savings**
    - **ATM card**



# Do the following . . .

- 4. Call the 3 credit bureaus and ask that a fraud alert be placed on your reports
  - **Equifax – 1-800-525-6285**
  - **Experian – 1-888-397-3742**
  - **Trans Union – 1-800-680-7289**



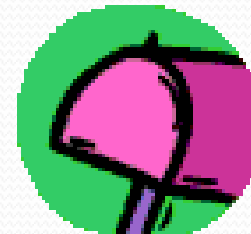
# Get a copy of your credit report

- Free to victims of identity theft
- Look for inaccuracies
- Correct inaccurate information
  
- Get a copy 2 times a year



# Do the following . . .

- Contact the Federal Trade Commission Fraud Hotline
- Contact the Social Security Administration if someone is using your number for employment purposes
- Call the postal inspector if you suspect mail theft



## 2. Get a copy of your credit report

Unlike your grade point – your credit history follows your whole life.

# To get a copy of your credit report

- Free from each of the 3 credit reporting agencies once a year.
- Check your credit report to make sure its accurate.
- Order online, by mail, or by phone
  - [www.annualcreditreport.com](http://www.annualcreditreport.com)
  - **Call 877-322-8228**
- Download *Annual Credit Report Request* form to mail your request



# Look at a Credit History

- Nearly 70% of credit reports contain errors
- **Check your credit history**
  - Look for inaccurate information
- **If you find errors, contact the credit reporting bureau**
  - Ask for an investigation
  - Explain and enclose documentation
- **Consumer Statement - There is 100 word explanation to your credit report**



# 3. Read the fine print!

It's a contract.

Policies change.

# *Read the fine print!!!*

- **Read information your credit card company sends you** – about the law and changes to your account.
- **Read your credit card statement** – be aware of changes to your account.



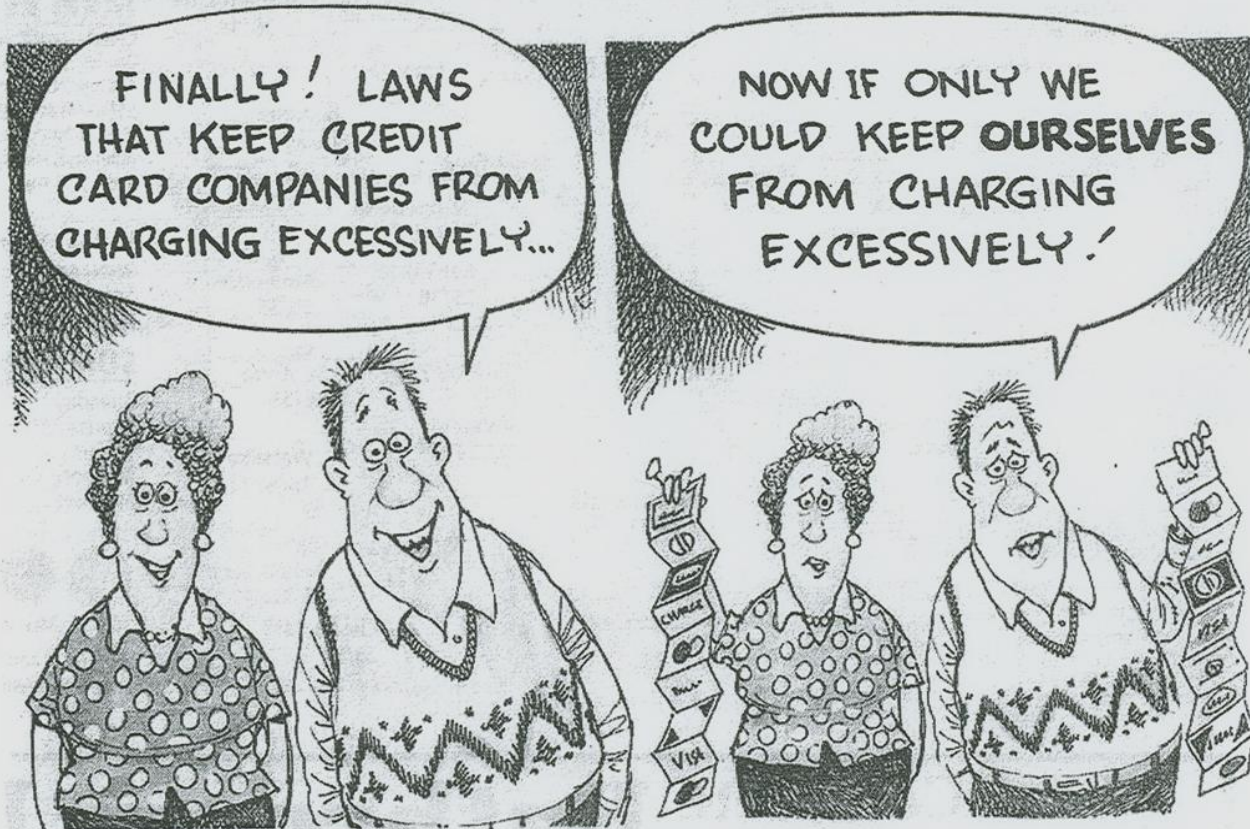
# Remember!

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Credit is not  
*free money!*



● Granlund's View



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# 4. Opt Out for credit offers

**1-888-5Opt-Out 1-888-567-8688**

Or online [www.optoutprescreen.com](http://www.optoutprescreen.com)

# The law is great, but . . .

- **Consumers must still be accountable for *using their credit responsibly*.**
  - Use credit wisely – or, not at all.
  - Live within their means.
  - Pay what they owe – on time!
- **Opt Out** for credit card offers

**1-888-5Opt-Out 1-888-567-8688**

Or online [www.optoutprescreen.com](http://www.optoutprescreen.com)



# Credit Score/Rating Based On

- **A summary of your credit history**
- **Used to set the “*price*” of your loan**

- **Payment History** **•35%**
- **Outstanding Debt** **•30%**
- **Length of your Credit History** **•15%**
- **Recent inquiries on your report** **•10%**
- **Types of credit in use** **•10%**



# 5. CARD Act – Credit Card Reform impacts you!

# Interest charges . . .

- Card issuers cannot raise the APR during the first year of the account.
- Increased rates apply only to new charges.
  - If you have a balance, the old interest rate will apply.
- You must be more than 60 days late on a payment before the rate can be raised on an existing balance.
  - If the rate is increased, it must be lowered after 6 months of on-time payments.



# Interest charges . . .

- Card issuers can't raise your APR based on how you pay other creditors.
- Double-cycling billing will be banned.



# Payments . . .

- Statements must be mailed 21 days before the due date.
- Payments will be due on the same date each month.
- If the payment due date is a weekend or holiday, you have until the following business day to pay.
- The cut-off time is 5:00 p.m., local time, on the due date.



# Payments . . .

- You must be notified if you are spending close to your credit limit.
- If your account has several different interest rates, any amount you pay over the minimum payment must be applied to the balance with the highest interest rate.



# Example . . .

## Example

Next

1. Balances

2. Payment

3. Minimum Payment

4. Highest APR

5. Middle APR

6. Lowest APR

7. End Total

**\$2,500**  
Total Balance

1. Molly is an American Express Cardmember who carries a balance from month to month. Molly has multiple balances with different APRs because she:

### Withdrew cash at an ATM.

Her cash advance APR is  
Prime+23.99%.



**\$100**  
Cash Advance Balance

### Bought a new computer.

Her purchase APR is  
Prime+14.99%.



**\$1,000**  
Purchase Balance

### Transferred a balance.

Her balance transfer APR is  
Prime+3.99%.



**\$1,400**  
Balance Transfer Balance



# Disclosure . . .

- Card issuers are required to post credit card agreements on-line.



# Example from American Express...

**Cardmember Agreement – Part 1 of 3** As of: 12/31/2009

**Payment Information and Fees Table** for American Express® Preferred Rewards Gold Card

Fees	
<b>Annual Membership Fee</b>	\$125
<b>Additional Card Fee</b>	\$35 annually for the first five cards and \$35 for each Additional Card after the fifth.
<b>Transaction Fees</b>	
• Foreign Transaction	2.7% of each transaction after conversion to US dollars.
<b>Penalty Fees</b>	
• Late Payment	\$35 or 2.99% of the past due amount, whichever is greater.
• Returned Payment	\$38

This document, together with Part 2 and Part 3, make up your Cardmember Agreement.  
Any supplements or amendments become part of your Cardmember Agreement.

Source:

[https://secure.cmax.americanexpress.com/Internet/UDAP/CardMemberAgreementsOnline/US\\_en/CMADetailsPage/PersonalCards/RewardsGoldCard/RewardsGold.pdf](https://secure.cmax.americanexpress.com/Internet/UDAP/CardMemberAgreementsOnline/US_en/CMADetailsPage/PersonalCards/RewardsGoldCard/RewardsGold.pdf)



# Disclosure . . .

- They must disclose what will happen if you only pay the minimum amount.
  - How much interest you will pay.
  - How long it will take to pay the debt.



# Example . . .

- How long it will take to pay off your balance.** Your monthly credit card bill will include information on how long it will take you to pay off your balance if you only make minimum payments. It will also tell you how much you would need to pay each month in order to pay off your balance in three years. For example, suppose you owe \$1,784.53 and your interest rate is 21.99%—your bill might look like this:

New balance	\$1,784.53
Minimum payment due	\$53.00
Payment due date	4/20/12

**Late Payment Warning:** If we do not receive your minimum payment by the date listed above, you may have to pay a \$35 late fee and your APRs may be increased up to the Penalty APR of 28.99%.

**Minimum Payment Warning:** If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example:

If you make no additional charges using this card and each month you pay. . .	You will pay off the balance shown on this statement in about. . .	And you will end up paying an estimated total of. . .
Only the minimum payment	10 years	\$3,284
\$62	3 years	\$2,232 (Savings = \$1,052)



# Fees . . .

- There will be a cap on high-fee (subprime) credit cards.
  - Cannot be more than 25% of the initial credit limit. (Example: On a \$400 credit limit credit card, total fees charged when the credit card is opened cannot be more than \$100. This excludes late payment fees, over-the-limit fees, and returned check fees.)



# Students . . .

- You must be 21 years old to get a credit card.
  - If under 21, need a co-signer or proof that you can repay the debt.
- Aggressive marketing is prohibited. (distance of length of 3 football fields)



# Gift Cards . . .

- Cards can't expire for 5 years.
- Card values can't decrease or contain hidden fees.



# Bonus Thoughts

**“There are many reasons for not paying your debts, however, there is no reason for not communicating with your creditor.”**



Having and using credit  
is a big responsibility,



*use it wisely!*



# Credit Card Smarts



- For more information:
- A series of 16 fact sheets
  - Selection and management of credit cards
  - Credit card legislation
- <http://web.extension.illinois.edu/creditcardsmarts/>



# Visit More For Your Money @

<http://web.extension.illinois.edu/money/>

The screenshot shows the homepage of the 'More for Your Money' website. At the top, a purple banner reads 'University of Illinois Extension'. Below this, a dark blue header contains the title 'More for Your Money' and the subtitle 'Using Your Money Wisely'. To the right of the title are two yellow buttons labeled 'Login' and 'Register'. A central menu lists topics: Introduction, Values and Goals, Income and Expenses, Spending Plan, What Is Credit?, Use Credit Wisely, Debt Management, and Saving. The background features a collage of green dollar bills on the left and a photograph of a smiling family (a woman, a young girl, a man, and a woman) on the right. The footer contains logos for the University of Illinois at Urbana-Champaign, ACES (College of Agricultural, Consumer & Environmental Sciences), and the University of Illinois Extension.

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## More for Your Money

Using Your Money Wisely

Login Register

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# Questions

