Financial Literacy

Your Money for Life…the road it will travel….depends on you

Prepared by Anne Moomey,
Assistant Director of Financial Aid,
SAS
Your Money for Life.. the road it will travel....depends on you

- Credit Cards
- Credit Bureau Reports
- FICO scores
- Identity Theft
- Reduce telemarketers and direct mailings
- Budgeting
Universal Default Clause

- Allows your credit card company to increase your interest rate on their card, if you are late making a payment to another company.
- *This is legal!*
- Some companies raise rates when customers’ risk profiles worsens (near limits)

**Card Act of 2010:** limits access for under age 21 - $500 limit or cosigner or income.
Credit Cards

- How many cards do you have?
- Do you know the terms: interest rates, annual fees, due dates, etc?
- What kind of balance do you carry?
- What do you use the cards for?


One-third of student credit cards had a zero balance in the 2011-2012 school year. Another 41 percent of families reported student card balances of less than $500. Only 3 percent carried a balance greater than $4,000.
If you pay the minimum monthly payment:

Current Balance: $2000
Starting monthly payment: 2% of balance $40.00
Annual Percentage Rate: 15%
Total number of payments: 262 months = 22 years
Total Interest Paid: $2,790
Credit Cards

• If you pay $65 each month:

• Current Balance: $2000

• Monthly payment: $65

• Annual Percentage Rate: 15%

• Total number of payments: 38 months = 3 years, 2 months

• Total Interest Paid: $529.53

Savings of $2,260.47
Credit cards are good for emergencies:

- “If you can Eat it, Drink it, or Wear it……It is NOT an Emergency !”
- Keep your cards in the freezer to prevent impulse buying
- Do emergencies happen at the mall?
Repayment Calculators

- www.MyMoney.gov
Credit Bureau Reports

- www.annualcreditreport.com
- For **THE** free report: one each from 3 agencies once a year.
- Can get FICO score for a small fee.
- Purpose: self-review for incorrect data: your address, who you owe, missed payments
- Others advertise, but they really aren’t free (you are signed up for a monthly membership)
Credit History

- Each agency is different.
- You may want to pull from one agency at a time and rotate over the year.
- Some corrections can be made online or by phone; some require documentation or written request.
- If you co-sign for someone, it may be listed.
- Inquires are listed (who is looking at your credit?)
- Information stays on the report at least 7 years
### Sample Credit Bureau Report

**Data for: duncan, elizabeth**

<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>elizabeth</td>
<td>9032 woodbine, chicago, il</td>
<td>(555) 555-5555</td>
</tr>
</tbody>
</table>

**Credit Report Details**

- **Date Obtained:** 5/20/05
- **Report Date:** 2/3/05

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Mkt. SUB.</th>
<th>IMPHTR.</th>
<th>Date</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABC DEPT STORE</td>
<td>06 CH</td>
<td>4/76</td>
<td>5/20/05</td>
<td>09:36CT</td>
</tr>
</tbody>
</table>

**Special Messages**

- **ID Mismatch Alert:** Previous input address does not match file address.
- **SSN Year of Issuance:** File SSN issued: 1957-1960; State issued: IL.

**Credit Profile**

- **Model Score:** 650
- **Input ZIP Code Not Valid for City:**

**Credit Summary**

- **Total Credit History:**
  - Revolving: $18.2K
  - Installment: $12.9K
  - Mortgages: $19.1K

**Public Records**

- **Chapter 7 Bankruptcy:**
  - Date: 10/03R
  - Attorney: D. Winslow

**Collections**

- **Name:** duncan, elizabeth
- **Closed Accounts:**
  - Y 993004
  - 4/05A

**Trades**

- **Open Accounts:**
  - 1-12

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Note: The image contains detailed information about a credit report, including personal information, credit transactions, and credit summary details.
### Sample Credit Bureau Report

<table>
<thead>
<tr>
<th>TYPE</th>
<th>COURT LOC</th>
<th>ATTORNEY</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/03R</td>
<td>C</td>
<td>D. WINSLOW</td>
</tr>
<tr>
<td>7</td>
<td>BANKRUPTCY</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ZPE02711</th>
<th>1/03R</th>
<th>Q3120</th>
<th>6/03</th>
<th>99838752</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAID CIVIL JUDGMENT</td>
<td></td>
<td></td>
<td></td>
<td>98897564</td>
</tr>
</tbody>
</table>

### COLLECTIONS

<table>
<thead>
<tr>
<th>SUBNAME</th>
<th>SUBCODE</th>
<th>ECOA</th>
<th>OPENED</th>
<th>CLOSED</th>
<th>$PAID</th>
<th>CREDITOR</th>
<th>MOP</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACCOUNT#</td>
<td>9900004</td>
<td>Y</td>
<td>I</td>
<td>5/01</td>
<td>5/01</td>
<td>$2800</td>
<td>ABC BANK</td>
</tr>
<tr>
<td>ADVERTISED COL</td>
<td>8/00A</td>
<td>4/05A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### TRADES

<table>
<thead>
<tr>
<th>SUBNAME</th>
<th>SUBCODE</th>
<th>ECOA</th>
<th>OPENED</th>
<th>CLOSED</th>
<th>MAXLEVOL</th>
<th>PAYPAT</th>
<th>REMARKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACCOUNT#</td>
<td>12345</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ECOA</td>
<td>COLLATRL/LOANTYPE</td>
<td>CLSD/PD</td>
<td>BALANCE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SUBNAME</td>
<td>SUBCODE</td>
<td>ECOA</td>
<td>OPENED</td>
<td>CLOSED</td>
<td>MAXLEVOL</td>
<td>PAYPAT</td>
<td>REMARKS</td>
</tr>
<tr>
<td>---------</td>
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<td>--------</td>
<td>--------</td>
<td>----------</td>
<td>--------</td>
<td>---------</td>
</tr>
<tr>
<td>ACCOUNT#</td>
<td>1234567</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ECOA</td>
<td>COLLATRL/LOANTYPE</td>
<td>CLSD/PD</td>
<td>BALANCE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### INQUIRIES

<table>
<thead>
<tr>
<th>DATE</th>
<th>SUBCODE</th>
<th>SUBNAME</th>
<th>DATE</th>
<th>SUBCODE</th>
<th>SUBNAME</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/15/05</td>
<td>DCH241</td>
<td>ABC DEPT STORE</td>
<td>3/07/05</td>
<td>BDP69889 (BAS)</td>
<td>SUBSTANTIAL</td>
</tr>
<tr>
<td>2/20/05</td>
<td>ASD1234 (CAL)</td>
<td>MAIN ST AUTO</td>
<td>1/01/05</td>
<td>DFP77777 (BAS)</td>
<td>123 RETAILER</td>
</tr>
</tbody>
</table>

### CONSUMER STATEMENT

**WARNING:** This consumer has been a victim of fraud. Call consumer directly at 555-555-5555 before issuing credits.

### INQUIRY ANALYSIS

<table>
<thead>
<tr>
<th>DATE</th>
<th>SUBCODE</th>
<th>SUBNAME</th>
<th>DATE</th>
<th>SUBCODE</th>
<th>SUBNAME</th>
</tr>
</thead>
<tbody>
<tr>
<td>03/07/05</td>
<td>B9999</td>
<td>TEST BANK</td>
<td>02/20/05</td>
<td>A1234</td>
<td>MAIN ST AUTO</td>
</tr>
<tr>
<td>DUNCAN, ELIZABETH (773)</td>
<td>332-4567</td>
<td>9932 WOODRINE, CHICAGO, IL 60603</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>02/20/05</td>
<td>A1234</td>
<td>MAIN ST AUTO</td>
<td>DUNCAN, ELIZABETH (773)</td>
<td>555-1234</td>
<td>9932 WOODRINE, CHICAGO, IL 60603</td>
</tr>
<tr>
<td>10 N. CAMINO, OAKLAND, CA 94538</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EMPLOYER: GRAND HOTEL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### CREDIT REPORT SERVICED BY:

**TRANSCIOIN 800-998-4213**

P.O. BOX 1000, CHESTER, PA 19022

Consumer disclosures can be obtained online through Transunion at:

[HTTP://WWW.TRANSFUION.COM/DIRECT](HTTP://WWW.TRANSFUION.COM/DIRECT)
Who’s reading your credit history?

- Credit card companies
- Auto dealers
- Landlords
- Banks
- Utility companies
- Service providers – cell phone, cable
- Potential employers
- Insurance companies
FICO Scores – (Fair Isaac Corp)

www.myFICO.com (offers good consumer info, but there is a fee to obtain your score)
Experian stopped selling credit scores to individuals.

- FICO® scores are your credit rating
- They range from 300-850, higher is better
- Most lenders base approval on them
- Higher scores mean lower interest rates
- The latest released median FICO® score in the U.S. is 641, down from 723
- 740+ gets the best interest rates for tiered loans
FICO Scores

Key Factors of your Score:

• How you pay your bills (35%)
• Amount of money you owe and the amount of available credit. (30%)
• Length of credit history (15 %)
• Mix of credit (10%)
• New credit applications (10%)
FICO Scores

How to raise a FICO:

• Pay bills on time
• Keep balances low on credit cards
• Pay off debt rather than moving it from one card to another.
• Keep credit card balances well under the credit limit.
• Beware of closing accounts that change your percent of owed/limit to higher than 25%.
• Don’t open a lot of new accounts at once, if you have a short credit history. Apply for new credit only as needed.
FICO Scores

Each credit bureau may have a different score for you: timing, different data. From scoreinfo.org
Identity Theft

www.ftc.gov/idtheft

- Shred financial documents, credit card offers that come in the mail
- Don’t give out personal information on the phone or in response to email inquiries.
- Only carry credit cards that you plan to use.
- Only use credit cards on secure websites.
- If it happens, close accounts, put a fraud alert on your credit reports, notify police, report it to the Federal Trade Commission.
- You can buy services that monitor your credit, if you think there may be a problem.
Reduce Direct Mail Offers

Opt out of promotional inquires

• Call 888-5OPTOUT

• Or online at www.dmachoice.org

(click on remove my name from these lists)
To get off telephone call lists:

- 888-382-1222
- www.donotcall.gov

- You may still get calls from companies you already do business with, along with political candidates, and non-profit organizations.
- It does take a month or two to take effect.
- $1 fee to sign up online.
• Pay yourself first!
• Set Financial Goals (pay off a debt or save a certain amount – set a deadline)
• Budget calculator at www.direct.ed.gov
  - find budget under calculators
• Try keeping track of all money spent for a week or month (flexible spending)
• Compare your budget to actual
• Total U.S. consumer revolving debt is at $880 billion as of August 2014.
• During 2013, federal student loan debt exceeded $1 trillion.
Student Loan Debt

- Federal loans offer better repayment terms, can be consolidated.
- Beware of “Direct to Consumer” loans that don’t require a school certification – they usually have a higher interest rate.
- Look for other options – summer jobs, Payment Plan for tuition bill, savings, scholarships.
- How is the interest rate determined? Prime rate was 21.5% at one time!

Be sure you know how much you owe and who you owe it to: [www.nslds.ed.gov](http://www.nslds.ed.gov) to see your federal loan debt and loan servicing information.
Debt Management – currently referred to as – Financial Literacy

Clarkson pays for our students and alumni to have access to 
www.saltmoney.org/clarkson

• Don’t pay for this type of information.
Debt Traps

- Not knowing enough about your finances
- Not knowing enough about your credit report
- Living beyond your means
- Overspending on credit
- Getting too much credit
- Not paying on time
- Paying only the minimum due
- Purchasing unnecessary credit card services and products
- Chasing lower rates by transferring balances
- Abusing debt consolidation
Frugal is the new Cool!

- The internet is also full of hints on the subject of cutting costs, learning to save, and simple living.
- Less is more!
- Choose to save!
- Discover the joys of cheap entertainment.
Websites

Searching the internet for any debt management term will result in many hits. When using this information, consider the source. Click on “about us” or similar links to determine if you have found a neutral site. Don’t pay for anything you can get for free.

- [www.annualcreditreport.com](http://www.annualcreditreport.com) for your free credit bureau reports
- [www.myFico.com](http://www.myFico.com) for FICO info
- [www.ftc.gov/idtheft](http://www.ftc.gov/idtheft) for identity theft info
- [www.dmachoice.org](http://www.dmachoice.org) reduce direct mail offers
- [www.donotcall.gov](http://www.donotcall.gov) reduce telemarketing calls
- [www.direct.ed.gov](http://www.direct.ed.gov) then search for budget, for the budget calculator
• http://www.mymoney.gov
• http://www.choosetosave.org
• http://www.debtadvice.org
• http://publications.usa.gov free govt info
• http://www.dos.ny.gov/consumerprotection consumer info
• http://www.catalogchoice.org to reduce catalogs
Your money for life

This was prepared by Anne Moomey, Assistant Director of Financial Aid, at Clarkson University

Any weblinks indicated were selected because they seemed to offer useful information to consumers and not because of any lender list preference.

- Comments and suggestions are appreciated – amoomey@clarkson.edu
- 315-268-3904

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