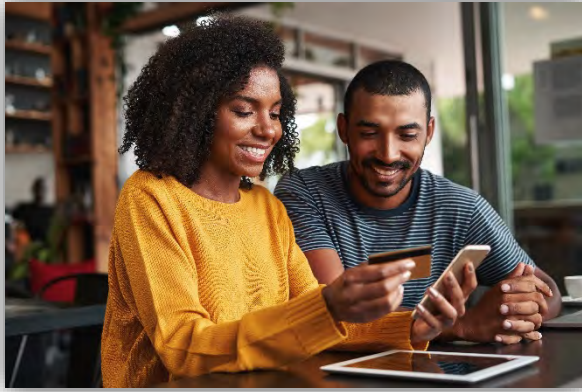


Take Charge: Wise Use of Credit Cards



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Presented by: Denise Adams- Membership Specialist

Seminar Objectives

LEARN:

- Advantages/pitfalls of credit cards
- How CARD Act affects you
- How to build solid credit foundation
- Warning signs: too much debt
- How to figure your credit limit
- How to get credit report, credit score
- How to avoid fraud
- Tips to manage debt, rebuild credit

Credit Cards: Just the Facts

PER NFCC: (2019)

- 26% of adults admit they don't pay all bills on time
- 37% carry credit card debt from month to month
- 37% have little knowledge how credit score is determined
- 33% say they could live on cash only

PER WALLET HUB/FEDERAL RESERVE: (2020)

- 41.2% of all US Households carry some credit card debt
- Total credit card debt owed by US consumers \$926 Billion
- Average credit card debt per household \$7,849

Why should I care?

- Bill payment history affects ability to get credit—and at what cost
- Bill payment history = 35% of credit score
- Average credit score drops 98 points for consumers with *one late auto payment*, vs. those without (*Experian*)

Advantage of Credit

CONVENIENCE

- Buy now, pay back later
 - Widely accepted
 - Carry less cash
 - Rewards programs
 - No need to show ID
 - Monthly statement = purchase record
 - Interest-free loan
-



Pitfalls of Credit Cards

- Commits future income needed for necessities
- Encourages impulse buying and overspending
- Discourages comparison shopping
- Perks provide incentive to overspend
- Items wear out sooner than payments
- Costly if you carry a balance



What happens when you make the minimum payments?

<u>Amount owed</u>	<u>Pay-off period</u>	<u>Interest costs</u>	<u>Actual cost</u>
\$2,000	9.5 years	\$1,116	\$3,116
\$4,000	11.8 years	\$2,315	\$6,315

Interest rate: 18%
Payment: 4% of balance



Credit costs...

- APR (interest rate)
- Annual fee
- Over-the-limit fee
- Balance-transfer fee
- Cash advance
- Replacement-card fee
- Late-payment fee
- Travel penalty



How the CARD Act Protects You

RESTRICTIONS ON INTEREST RATE HIKES

- No increases in 1st year. Then, only on new purchases
 - Exceptions:*
 - * *Index tied to variable-rate card goes up*
 - * *You have limited-time introductory rate*
 - * *You're > 60 days late on payments*
 - * *You've either completed or defaulted on workout agreement*
- Increases on new purchases require 45-day notice
- Notices must contain disclosure about right to cancel
- Two-cycle billing is banned
- No “teaser” or introductory rates for < 6 months

How the CARD Act Protects You

RESTRICTIONS ON FEES

- Issuers must give 45 days notice of changes
- You must “opt in” to over-the-limit fees
Otherwise, over-the-limit fees are banned, and charges over your limit may be denied.
- Penalty fees capped at \$25, unless chronic abuser
- If you cancel account because of changes, you cannot be required to immediately repay outstanding balance
- No “late fees” if issuer delays crediting your payments
- High-fee, subprime cards: Total fees cannot exceed 25% of card’s initial credit limit



Now For Some Billing Practices

BETTER BILLING PRACTICES

- Periodic statement must be mailed at least 21 days before due date
- For cards with multiple interest rates, payments over the minimum due must go first to balances with highest rate
- Payment due dates: Same date each month
Payment cut-off time: No earlier than 5 p.m. on due date
- For weekend or holiday due dates:
You have until 5 p.m. next business day to pay



How the CARD Act Protects You

RESTRICTIONS BENEFIT YOUNG ADULTS

- If < 21 , must have adult co-signer or guarantor, unless young adult can prove means to repay the debt
- No credit limit increases without proof of ability to pay or written approval from co-signer or guarantor
- College campus marketing of credit cards = restricted



How the CARD Act Protects You

GIFT CARDS, GIFT CERTIFICATES (NONPAPER), AND GENERAL-USE PREPAID CARDS

- No penalties for not using the card, *unless no activity for 12 months*; After one year, only one fee/month
- Cards can't expire for the first 5 years
- Cards must clearly state expiration date terms

How the CARD Act Protects You

DISCLOSURES

- Minimum payment consequences:
How much interest you'll pay, and how long it will take to pay off debt
- Repayment in 3 years:
How much you'd need to pay each month to repay in full
- Toll-free number:
For help locating credit counseling services



Build a Solid Credit Foundation

- Figure your credit limits
- Know the prerequisites
- Shop for the best card for *your* situation
- Establish credit in your name
- Focus on the long-term
- Check credit report regularly



Credit Report

- What is it?
- What's in it?
- Who can see it?
- How long does information stay on it?
- How do I order it?
- www.annualcreditreport.com



Credit Score

- What is it?
- What's considered “good” score?
- What affects it?
- How can I order it?

620

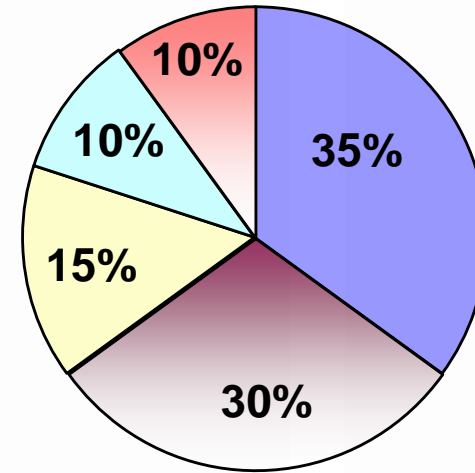
680

720

760!

Credit Score

- Payment history (35% of score)
- Utilization Rate (30%)
- Length of credit history (15%)
- New credit (10%)
- Types of credit currently in use (10%)



Credit Score

COMPONENTS

Payment History (35%)

- Is the most important factor
- Making your payments on time help score.
- Late payments (30 days past due date) hurt score
- More recent and numerous late payment's hurt score
- Collection accounts or legal

action serious negative impact

- Time distance from late payments reduce negative impact



Credit Score

COMPONENTS

Utilization 30%

- Balances on Revolving Debt
Close to Credit Limit
- Correlation Between
Outstanding Balance and Credit
Limit
- More Credit Available Relative
to Actual Balance Positive

Length of Credit 15%

- Longer Dated Accounts
Favorable

Type of Credit 10%

- Variety to Boost Score
- Credit Cards
- Retail Accounts
- Direct Loan

Credit Score

COMPONENTS

New Credit 10%

- It's OK to Use Credit!
- Number of Recently Opened Accounts
- Proportion of Recently Opened Accounts to All Accounts
- Inquiries
- New Accounts can Damage Your Score, Especially in Comparison to Total Accounts

Examples of Expensive Credit

- Payday loans
- Refund anticipation loans
- Rent-to-own
- Pawn shops
- Car title pawn loans
- Debt consolidation



Check with credit union on options, including home equity line of credit

Avoid Credit Card Fraud

- Protect PIN and account numbers
- Shred receipts you don't need
- Use card online—on well-known sites
- Keep phone #s—to cancel cards—in safe place
- Never respond to phone or online requests for personal information—phishing!
- Check statements for accuracy

A Thief Stole Your Credit Card. What's your liability?

- If you report loss/theft before thief uses it, your liability is zero—call immediately!
- Maximum liability: \$50 per card, but some issuers waive this fee.
- Keep phone numbers to report loss or theft in a safe place—*not in your wallet!*

A Thief Stole Your Debit Card. What's your liability?

- Federal law: Your maximum liability is \$50 if you report it within two business days, and \$500 if you report it after that.
- If you wait until after 60 days of receiving your statement, liability can be unlimited.

Tips to Manage Debt

- Pay down debt: Use *power pay principle*
- Pay online; Use auto bill-pay
- Keep utilization rate < 25%
- Don't open flurry of new accounts
- Don't close accounts before loan shopping
- Beware credit repair clinics
- Reduce unwanted solicitations: *optoutprescreen.com* or call 888-5-opt-out
- Get help if you can't pay bills



If you can't pay your bills...

- Don't ignore creditors. Call first. Work out repayment plan. Show good faith.
- Ask CCCS to help negotiate with creditors. [800-388-2227](tel:800-388-2227)
- Stop using credit cards. Don't add new debt.



Checklist: Are You Ready?

- I pay all bills on time
- I pay more than minimum due
- I pay bills online and/or use auto bill-pay
- I check statements for errors
- I check my credit report regularly
- I know my credit score and take steps to improve it
- I know my credit limits
- I know how much I owe
- I avoid expensive forms of credit
- I protect PINs and shred receipts I don't need
- I called 888-5opt-out



Credit Bureaus

THREE MAJOR CREDIT REPOSITORIES

- Each CRA may have unique information on your individual credit

	Experian PO Box 4500 Allen, TX 75013 Phone: 888.397-3742 www.experian.com
	TransUnion Consumer Solutions PO Box 2000 Phone: 855.681.3196 www.transunion.com
	Equifax Credit Information Services Inc PO Box 740241 Atlanta, GA 30374 Phone: 800.685.1111 www.equifax.com

Resources

Credit Union National Assoc.
creditunion.coop

Federal Trade Commission
ftc.gov (click "Consumer Protection")

Official Web site for free reports
AnnualCreditReport.com
877.322.8228

What You Need to Know:
New Credit Card Rules
federalreserve.gov/creditcard/

GreenPath
877.337.3399

Fair Isaac Corporation
myfico.com

VantageScore
vantagescore.com

National Foundation for
Credit Counseling
nfcc.org or 800-388-2227



**Remember ... your credit union can
help you with all your financial challenges.**

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Thank you for attending the webinar today!