

# CARE FOR MAINE STUDENTS



# Our goal is for you to CARE about:

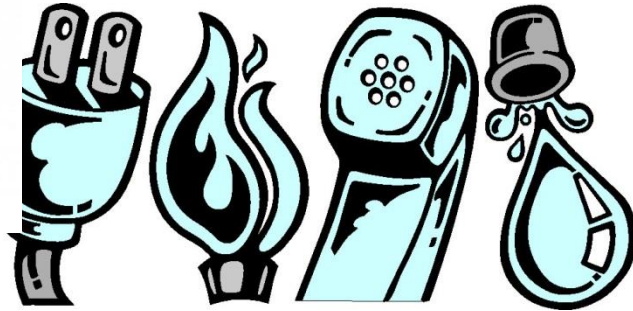
- Understanding credit.
- The dangers of abusing credit.
- Wants vs. needs.
- Saving and budgeting.

# What is credit?



# WHAT IS CREDIT?

- Credit is money you borrow that gives you the ability to buy or use something today and pay for it in the future.
- In other words, credit is a loan against future income.



# Do you know the difference?



It is important to establish a credit history and demonstrate that you use credit and manage debt responsibly.



The easiest way to establish credit is to open up a credit card account.





# Credit Cards

- When you buy something with a credit card, the credit card company is loaning you the money to make a purchase. You agree to pay back the loan, along with fees, interest and other costs.



# How old do you have to be to get a credit card?

1. Under 18?
2. 21?
3. You just need a valid driver's license?

# The Law Says ...

- You need to be 18 to apply for a credit card.
- A credit card CANNOT be issued to someone under age 21 unless the person has a co-signor (over age 21) or can provide proof of a means to repay.

# Who or what is a co-signer?

- A. Anyone who is legally permitted to use your credit card?
- B. An adult who agrees to pay any debts charged on the credit card?

**A credit card is a contract. By signing it,  
you are legally bound by its terms.  
So read them!**



# Credit Card Statement

Account Number XXXX XXXX XXXX XXXX  
February 21, 2012 to March 22, 2012

Summary of Account Activity

1

Previous Balance	\$535.07
Payments	-\$450.00
Other Credits	\$0.00
Purchases	+\$517.12
Balance Transfers	+\$785.00
Cash Advances	+\$318.00
Past Due Amount	+\$0.00
Fees Charged	+\$69.00
Interest Charged	+\$11.36

3

New Balance	\$1,786.00
Credit limit	\$2,000.00
Available credit	\$214.00
Statement closing date	3/22/2012
Days in billing cycle	30

QUESTIONS?

Call Customer Service

1-XXX-XXX-XXXX

Lost or Stolen Credit Card

1-XXX-XXX-XXXX

Payment Information

2

New Balance	\$1,786.00
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 take you longer to pay off your balance. For example:

4

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	8 years	\$2,785
\$62	3 years	\$2,232 (Savings=\$553)

If you would like information about credit counseling services

# What is **interest**?

- It is the cost of borrowing money.
- In the credit card context, interest is the money that you pay to the financial institution when you do not pay your balance due **in full** and **on time** each month.

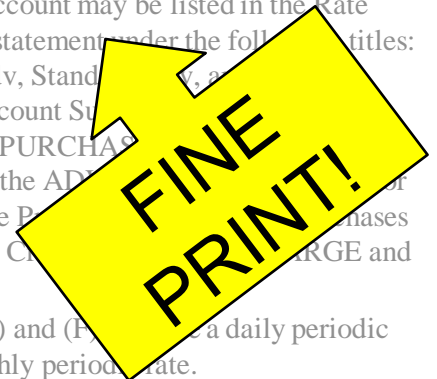




# Annual Percentage Rate

- Different banks charge different APR rates.
- “Shop” for a credit card with the best terms that suit you.
  - Pay close attention to various late fees and penalties

- **ANNUAL MEMBERSHIP FEE:** Refer to your statement in the month in which the fee is billed.
- **RENEWING YOUR ACCOUNT:** You may have your annual membership fee credited to your account if you close your account within 30 days from the mailing or delivery date of the statement containing the fee, even if you use your card during that period. You may call the Customer Service number or write to the Customer Service address on your statement during this 30 day period and your account will be terminated; we will credit your account for the amount of the annual fee.
- **ANNUAL PERCENTAGE RATE:** Refer to the Rate Summary section of this statement. Your periodic rates and APRs may vary.
- **RATE AND ACCOUNT SUMMARIES:** The purchase and advance features of this account may be listed in the Rate Summary Section of this statement under the following titles: Standard Purch, Purch/Adv, Stand, etc. The Account Summary section includes on the PURCHASES section for all purchase features, and on the ADVANCES section for all advance features, of the Periodic Rates, Annual Percentage Rates & Advances, Payments & Credits, Minimum Payments, and New Balance amounts.
- **PERIODIC RATES:** (D) and (M) indicate a daily periodic rate. (M) indicates a monthly periodic rate.



**Watch how interest grows.**  
If you only pay the minimum due:

<b>Beginning Balance:</b>	<b>\$1,000.00</b>
Interest Rate:	21%
Minimum Payment Percent:	1%
Minimum Payment:	\$25.00
Total Interest Charges:	\$753.02
Number of Payments:	70
Total Number of Years:	5.8

# If you **stop** making payments:

<b>Beginning Balance:</b>	<b>\$1,000.00</b>
Interest Rate:	21%
Day 31:	\$1,017.99
Day 60:	\$1,035.11
Day 120:	\$1,071.46
Day 365:	\$1,233.60

# Paying Late

- If you are late in making a credit card payment, your credit report and score will be negatively impacted.
- The interest rate you pay may increase sharply!
- And late fees may be added!!

# Credit Report Card

- 3 credit-reporting agencies

*Equifax*

*TransUnion*

*Experian*

- Visit [AnnualCreditReport.com](https://AnnualCreditReport.com) for a free copy of your credit report.
- **80%** of credit reports contain mistakes!

# What is a FICO credit score?

- Your FICO credit score influences the credit that's available to you and the terms (interest rate, etc.) that lenders offer you. It's a vital part of your credit health.
- When you apply for credit – whether for a credit card, a car loan, or a mortgage – lenders want to know what risk they'd take by loaning money to you. When lenders order your credit report, they can also buy a credit score that's based on the information in the report. A credit score helps lenders evaluate your credit report because it is a number that summarizes your credit risk, based on a snapshot of your credit report at a particular point in time.

# What makes a “good” FICO Score?

- FICO credit scores have a 300–850 score range. The higher the score, the lower the risk. But no score says whether a specific individual will be a “good” or “bad” customer.
- While many lenders use FICO credit scores to help them make lending decisions, each lender has its own strategy, including the level of risk it finds acceptable for a given credit product. There is no single “cutoff score” used by all lenders and there are many additional factors that lenders use to determine your actual interest rates.

# Establishing a FICO credit score

- For your FICO score to be calculated, your credit report must contain enough recent information on which to base your credit score. Generally, that means you must have at least one account that has been open for six months or longer, and at least one account that has been reported to the credit reporting agency within the last six months.



# Beware of Identity Theft!



Check your credit report to see if there are any reported accounts that you did not open!

# Credit Card Tips

- Get only one credit card.
- Avoid new accounts just for the low introductory rate.
- Put a cap on your credit limit. Don't max it out.
- No cash advances.
- Don't let anyone else use your card!
- Keep track of your spending.
- Check your credit report.

# Worth the Cost?

Before you buy something on credit, think it through:

- Can you actually afford the purchase?
- How much will the purchase really cost you if you use credit and do not pay the bill in full this month?
- Is it better to wait and pay in cash?

# Our Advice ...

- If you can eat it, drink it, download it, watch it or listen to it, don't use credit!



# Wants vs Needs

- What is an example of something that you need?
- How can you change something that you need into something that you want?

# Want or need?



# Want or need?



# Want or need?





# Want or need?



# Want or need?



Credit Abuse Resistance Education  
Program

# Want or need?



# Want or need?





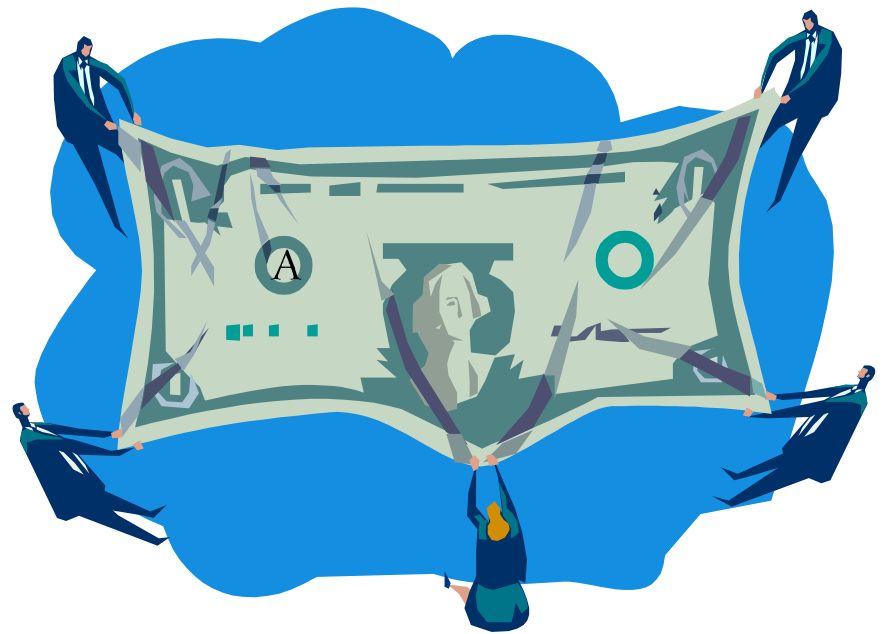
# Want or need?



DO  
SOMETHING  
TODAY THAT  
YOUR FUTURE  
SELF WILL  
THANK YOU  
FOR.

# Responsible Consumption

- Set a budget and stick to it. Don't live beyond your means.
- Learn to save. Pay yourself like you would pay bills. Savings is the way to pay yourself.



# Budgeting.

- Develop a budget.
  - Start by listing your income from all sources.
  - Then, list your “fixed” expenses (housing, food, health care, insurance, education, utilities).
  - The goal is to make sure you can make ends meet and cover your fixed expenses, and to understand what you have available each month for “extras.”



# Be **smart** about **spending**.

- If you have enough money to meet your expenses, and you are not using credit for extras you cannot afford and that you do not need, you are acting like a responsible consumer.
- There is nothing wrong with living within your means, rather than beyond!

# DEBT MANAGEMENT TIPS

- Spend **ONLY** what you can pay for. It helps to use cash or debit card when shopping!
- If you use a credit card, do not purchase an item if you cannot afford to pay for it in full when the bill comes due.
- If you get in over your head, pay as much as you can each month.
- Minimally, pay the minimum payment each month.
- Remember: there are real, financial consequences to only paying the minimum payment.

Would you rather  
be given a million dollars  
or a penny doubled every day for a month?



OR



<b>Day 1: \$.01</b>	Day 2: \$.02	Day 3: \$.04	Day 4: \$.08
Day 5: \$.16	Day 6: \$.32	Day 7: \$.64	Day 8: \$1.28
Day 9: \$2.56	Day 10: \$5.12	Day 11: \$10.24	Day 12: \$20.48
Day 13: \$40.96	Day 14: \$81.92	Day 15: \$163.84	Day 16: \$327.68
Day 17: \$655.36	Day 18: \$1,310.72	Day 19: \$2,621.44	Day 20: \$5,242.88
Day 21: \$10,485.76	Day 22: \$20,971.52	Day 23: \$41,943.04	Day 24: \$83,886.08
Day 25: \$167,772.16	Day 26: \$335,544.32	Day 27: \$671,088.64	Day 28: \$1,342,177.28
Day 29: \$2,684,354.56	<b>Day 30: \$5,368,709.12</b>		

# The Importance of Saving

- An “emergency fund” for unexpected circumstances.
- Big ticket items (cars, houses).
- “Rainy Day” fund.
- Education Costs (yours; your children).
- Retirement.

# \$\$\$ Ways to Save \$\$\$

- Put money into a general **savings** account.
- You should treat saving money like it is a fixed monthly expense. When you set your budget, allocate an affordable amount of money each month to automatically deposit into a savings account.

# \$\$\$ Ways to Save \$\$\$

- Money market savings account.
- Certificate of deposit (a CD).
- FDIC-insured IRA.
- Securities (stocks, mutual funds).

# SAVE AND EARN!

- When you invest in something for the long term, you should always think ahead on what would be the best choice in the long run.
- Promise yourself that you will follow through! The rewards can be great!



# A Tale of Saving Wisely ...



# Saving (and hard work) Paid Off.

- In 1977, Roger started working by mowing the lawns of friends, neighbors, and local businesses.
- He invested in a snow shovel, and expanded the business to snow removal services in the winter.
- In 1980, he used his savings from his lawn mowing business to buy a used pickup truck.
- In 1981, he used more business profits to buy a used mowing Tractor.

- In 1982, Roger went to Bowdoin College. He paid his own way for four years with the money he saved from mowing lawns and shoveling snow.



# Today ...

- By **saving** his money and then using those **savings** to **invest** in business equipment, Roger **invested** in himself and his **future**.
- He **built** a business that he could pass onto his brothers.
- And he bought himself an education that put him on a path to becoming a **successful, responsible** adult.





# The CARE Challenge.



How much can you save in one year?