

Successful Start and the Office of Student Services Present:

EVALUATING CREDIT CARD OFFERS

SESSION OBJECTIVES

- ✖ Discuss the importance of credit and credit management
- ✖ Identify how to establish new credit and evaluate credit card offers
- ✖ Discuss how to correct errors on your credit card statements
- ✖ Identify the real cost of credit card borrowing
- ✖ Identify the five sections of a credit report and how to obtain one
- ✖ Identify the five components of your credit score

POP QUIZ!

UNDERGRADUATE CREDIT CARD USAGE

- ✖ What percentage of undergraduates in 2004 began the school year with credit cards?
 - + a. 22%
 - + b. 36%
 - + c. 59%
 - + d. 76%

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UNDERGRADUATE CREDIT CARD USAGE

- ✖ What is the average outstanding balance on undergraduate credit cards?
 - + a. \$2,169
 - + b. \$3,334
 - + c. \$5,088
 - + d. \$6,124

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UNDERGRADUATE CREDIT CARD USAGE

- ✕ What is the most reported use of credit cards?
 - + a. Clothing
 - + b. School supplies (paper, notebooks, etc.)
 - + c. Textbooks
 - + d. Food

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UNDERGRADUATE CREDIT CARD USAGE

- ✖ What percentage of undergraduates pay off their credit card balances in full each month?
 - + a. 8%
 - + b. 21%
 - + c. 41%
 - + d. 56%

UNDERGRADUATE CREDIT CARD USAGE

- ✖ What percentage of undergraduates pay off their credit card balances in full each month?
 - + a. 8%
 - + b. 21%
 - + c. 41%
 - + d. 56%

GRADUATE CREDIT CARD USAGE

- ✖ What percentage of graduate students in 2006 have at least one credit card?
 - + a. 22%
 - + b. 48%
 - + c. 76%
 - + d. 92%

GRADUATE CREDIT CARD USAGE

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 - + a. 22%
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GRADUATE CREDIT CARD USAGE

- ✖ What is the average outstanding balance on graduate credit cards?
 - + a. \$2,011
 - + b. \$4,567
 - + c. \$7,831
 - + d. \$8,612

GRADUATE CREDIT CARD USAGE

- ✖ What is the average outstanding balance on graduate credit cards?
 - + a. \$2,011
 - + b. \$4,567
 - + c. \$7,831
 - + d. \$8,612

GRADUATE CREDIT CARD USAGE

- ✖ What percentage of graduate students pay off their credit card balances in full each month?
 - + a. 12%
 - + b. 20%
 - + c. 35%
 - + d. 41%

GRADUATE CREDIT CARD USAGE

- ✖ What percentage of graduate students pay off their credit card balances in full each month?
 - + a. 12%
 - + b. 20%
 - + c. 35%
 - + d. 41%

EVALUATING CREDIT CARD OFFERS

WHAT CAN YOU DO?

- ✖ Without a good credit history, it's hard to get new credit. But without credit, it's tough to build a good credit history.

ESTABLISHING NEW CREDIT

- ✖ Open checking and savings accounts
- ✖ Obtain your credit report – resolve mistakes and add positive information
- ✖ Apply for gasoline or department store credit cards
- ✖ Take out small personal loan from local bank
- ✖ Apply for a secure credit card

EVALUATING CREDIT CARD OFFERS

- ✖ Interest Rate (APR)
- ✖ Grace Period
- ✖ Finance Charges
- ✖ Annual Fee
- ✖ Cash Advance Fees
- ✖ Late-Payment Charges
- ✖ Over-Limit Fees

INTEREST RATES

✕ Common types of APRs:

- + Fixed – credit card company will notify you of any interest rate changes
- + Variable – typically based on an index
- + Tiered – outstanding balance is charged at different rates for different levels
- ** Periodic rate is used to calculate finance charges

GRACE PERIOD

- ✖ Time during which the use of the issuer's money is interest-free
- ✖ Grace period is often 25 days but some companies have reduced it to 20 days
 - + Shorter grace period can mean that you will accumulate interest charges by the time you receive your bill
 - + Choose longer grace periods for bills that are paid in full each month

FINANCE CHARGES

- ✖ Credit card issuers calculate outstanding balance in different ways:
 - + Average daily balance method, including or excluding new purchases
 - + Two-cycle average daily balance method, including or excluding new purchases
 - + Adjusted balance method
 - + Previous balance method

CASH ADVANCE FEES

- ✖ Most credit card issuers charge a fee for a cash advances (generally 2 – 4%)
 - + Cash advances can also be assessed a higher interest rate
 - + Cash advances may not have a grace period

LATE FEES

- ✖ Late fees are assessed when payments arrive late (generally \$15 to \$50)
- ✖ Multiple late fees in a specific time period can trigger a credit card issuer to assess a penalty interest rate on some accounts
- ✖ Credit card issuers can check client's credit report for late fees assessed on other credit accounts and use that information as a reason to raise the interest rate on their credit card

OVER-LIMIT FEES

- ✖ Fee assessed when card over specified credit limit (not necessarily a one-time fee)

TOO MANY CREDIT CARD OFFERS?

- ✖ You can remove your name from the marketing lists of the three credit reporting bureaus:
 - + call 888- 5 OPTOUT, or
 - + go online to www.optoutprescreen.com

CORRECTING ERRORS ON YOUR CREDIT CARD STATEMENT

ERRORS ON YOUR CREDIT CARD STATEMENT

- ✖ Avoid errors and unjust fees
- ✖ Review statement carefully monthly
- ✖ Ensure all charge are yours and that any fees are justified
- ✖ Contact issuer immediately with any problems

FAIR CREDIT BILLING ACT

- ✖ Applies to credit cards, charge accounts and overdraft checking - **does not apply to checks or debit cards**
- ✖ Protects consumers against billing errors, unauthorized use of account, and unauthorized charges

RESOLVING STATEMENT ERRORS

- ✖ Write issuer within 90 days of bill with disputed charge(s)
- ✖ Letter must include your name and account number, date and amount of disputed charge, complete explanation of disputed charge
- ✖ Send letter to address included in your bill, NOT payment address
- ✖ Consider certified mail with return receipt

WHAT HAPPENS NEXT?

- ✖ Creditor must acknowledge letter in writing within 30 days
- ✖ Creditor must investigate within 90 days

DURING INVESTIGATION

- ✖ Consumer is not required to pay disputed charges
- ✖ Issuer is not permitted to take action to collect, report as delinquent, or restrict account in any way

RESULTS OF INVESTIGATION

- ✖ If error is found:

- + Consumer's account will be credited and late fees or finance charges reversed

- ✖ If disputed charges are correct:

- + Consumer must be told in writing what is owed and why
- + Consumer will owe disputed amount AND related fees

FOR FURTHER ASSISTANCE...

- ✕ National Consumer Law Center
www.consumerlaw.org
- ✕ US Citizens for Fair Credit Card Terms
www.cardratings.org

THE REAL COST OF CREDIT CARD BORROWING

TRUE COST OF YOUR CREDIT CARDS

- ✖ Select frequently used credit cards.
- ✖ Review year of statements and add up the following:
 - + annual fees
 - + late fees
 - + finance charges

***The fees can add up quickly!

CREDIT CARD EXAMPLE 1

- ✖ Charge: \$500.00
- ✖ Interest : 14.99%
- ✖ 1st Minimum Payment Due: \$12.50
- ✖ 2nd Minimum Payment Due: \$12.30
- ✖ *At this payment rate, how long will it take to pay the balance?*
- ✖ *How much interest was paid?*

CREDIT CARD EXAMPLE 1

- ✖ Charge: \$500.00
- ✖ Interest : 14.99%
- ✖ 1st Minimum Payment Due: \$12.50
- ✖ 2nd Minimum Payment Due: \$12.30
- ✖ *At this payment rate, how long will it take to pay the balance? 56 months (4.7 years)*
- ✖ *How much interest was paid? \$200.00 or 40% of initial loan amount*

CREDIT CARD EXAMPLE 2

- ✖ Charge: \$1,000.00
- ✖ Interest: 17.99%
- ✖ Minimum Payment: \$20.00
- ✖ *At this payment rate, how long will it take to pay the balance?*
- ✖ *How much interest was paid?*

CREDIT CARD EXAMPLE 2

- ✖ Charge: \$1,000.00
- ✖ Interest: 17.99%
- ✖ Minimum Payment: \$20.00
- ✖ *At this payment rate, how long will it take to pay the balance? 93 months (7.75 years)*
- ✖ *How much interest was paid? \$861.02 or 86% of the initial loan amount*

CREDIT CARD EXAMPLE 2B

- ✖ Charge: \$1,000.00
- ✖ Interest: 17.99%
- ✖ Minimum Payment: \$20.00
- ✖ Monthly Payments Made: \$25.00
- ✖ *At this payment rate, how long will it take to pay the balance? 62 months (5.16 years)*
- ✖ *How much interest was paid? \$538.07 or 54% of the initial loan amount*

CREDIT REPORTS

CREDIT REPORT FACTS

- ✖ Record of your credit payment history
- ✖ Illustrates the amount you have borrowed in credit cards and loans and your timeliness of payment
- ✖ Contains identifying information
- ✖ Used to determine creditworthiness

ANATOMY OF A CREDIT REPORT

- ✖ Section 1: Personal Identification Information
- ✖ Section 2: Public Record Information
- ✖ Section 3: Collection Agency Account Information
- ✖ Section 4: Credit Account Information
- ✖ Section 5: Companies Requesting your Credit File

HOW TO OBTAIN A CREDIT REPORT

✕ Credit Agencies:

- + Equifax: www.equifax.com
- + Experian: www.experian.com
- + Trans Union: www.transunion.com

✕ One free report from each agency every 12 months: www.annualcreditreport.com

** do not use www.freecreditreport.com ***

CREDIT SCORES

CREDIT SCORE

- ✖ Reflection of the information on your credit report
- ✖ Formula developed by Fair and Isaac Corporation (FICO)
- ✖ Scores range from 300-850
- ✖ Average score is 720
- ✖ The lower the score, the greater the risk it is to lend you money

NATIONAL DISTRIBUTION OF FICO SCORES

FICO SCORE RANGE	% OF POPULATION
UP TO 499	2%
500 TO 549	5%
550 TO 599	8%
600 TO 649	12%
650 TO 699	15%
700 TO 749	18%
750 TO 799	27%
800 +	13%

CREDIT SCORE FACTORS

- ✖ 35% Payment History
- ✖ 30% Amount Owed vs. Available Credit
- ✖ 15% Length of Credit History
- ✖ 10% Amount of New Credit
- ✖ 10% Types of Credit
- ✖ 0% Number of Inquiries

QUESTIONS?

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