

Credit and Debt

Practical University

A decorative graphic element consisting of several horizontal lines of varying lengths and colors (teal, light blue, white) extending from the right side of the slide towards the center.

What does “credit” mean?

- How trustworthy you are to pay what you owe.
 - Do you pay installments and interest on time?
- How wisely you handle your spending.
- If you pay your bills on time.
- How you “live within your means.”
- If you are grounded and stable
 - Keeping a job
 - Staying and fulfilling your obligations in a place

Income and Expenses

- This determines your ability to repay what you owe.
- Income > Basic expenses
- Creditors will ask you for:
 - Employment Information
 - Occupation
 - How long you have worked at your job
 - How much you earn
 - Expenses for dependents, alimony, child support and other obligations
 - A good rule is to keep your relational life sober.
 - Have the wisdom to show restraint.

Assets

- These are the things you own that will provide you a benefit in your future.
 - It is wise to limit debt only for assets that will keep providing good things for you and/or appreciate.
 - House, investments, education, insurance policies.
 - Tangible things will serve as “collateral” on a loan.
 - This is what your creditor has access to for security.
- Taking out debt for daily expenses means you will pay in the future for benefits long gone.
 - That is tough to do.

Steps to Building Credit

- Establish a bank account.
- Borrow against a savings account.
- Pay your bills promptly.
- When in trouble, talk with your creditors about your troubles and keep them updated.
 - NEVER break off communication.
- Keep track of everything in your life so you do not overload with debt.

Guarding against Fraud

- Never give checking account numbers or routing numbers out on the phone.
 - Ask why they “tape” a call and ask a lot of questions.
- Identity protection companies monitor when accounts are being opened “for you.”
- Don’t write your PIN anywhere.
- Don’t put your account # on the outside of a letter.
- Draw a line through blank spaces on a charge slip.
- Carry only the cards you will need.
- Take your ATM slip with you.

Reacting to Fraud

- Report loss of debit or credit cards immediately.
- Use the web to review transactions often.
- If you see a charge you did not make, call the vendor directly. Then call the credit card company. They will ask for a sworn statement or “affidavit.”
- Follow up phone call with a letter that has account #, when you noticed problem, and date of loss.
- If you report loss before the cards are used, you are not responsible for any charges. Most you will owe after they are used is \$50.
- For ATM cards, after two business days, your loss is up to \$500.
 - You face unlimited loss if you fail to report within 60 days after your statement is mailed.

Other considerations

- Attitude: if debt makes you concerned and anxious, this is very good, even healthy.
- Appearance: if someone manages their health and looks well, chances are they handle money well.
- Behavior: if you like to be wild and crazy, no one will feel good about lending you anything.