Welcome to…

Get Savvy
Grow Your Green Stuff

Staying on Good Terms:
21 Credit & Debt

UNIVERSITY OF ILLINOIS
EXTENSION

investing in your financial health

UNIVERSITY OF ILLINOIS
USFSCO
University Student Financial Services
& Cashier Operations
Where Are You Logging In Today?
Meet The Speakers

Pam Atkinson
Consumer Economics Educator
University of Illinois Extension

Andrea Pellegrini
Assistant Director
Student Money Management Center
Today’s Webinar Will Cover…

- Debit vs. Credit
- The Good
- The Ugly
- The Bad
- Credit Use
- Credit Laws
- Credit Myths
- Getting Out of Debt
- Savings
Tweet Chat Wednesday @ 1:00 PM CST

http://goo.gl.HMHvx

#GetSavvy
Myth or Fact?

Credit cards & debit cards are the same thing.
MYTH!

Credit cards & debit cards are the same thing.
Not All Cards Are Created Equal

Debit
• Money from account now
• Low cost to get cash

Credit
• Pay bill later
• High costs to access cash
Which Card is Safer To Use?

A  Debit

OR

B  Credit
Case Study: The Good

Goal: earn rewards

Method: pays entire balance every month
The Upside of Credit Use

- Buy/consume now, pay later
- Protection against fraud
- Cope with emergencies
- Convenient for making reservations
- Establish favorable credit history
Case Study: The Bad

Bob’s Use of Credit

Goal: obtain goods & services now

Method: maintains a revolving balance
The Downside of Credit Use

- Fees (and interest) can be costly
- Credit makes it easy to overspend and damage your credit history
- Someone could steal your account number
Choosing Credit: Shop Around

- How much do you need?
- How will you use it?
- What is the cost?
- How will you pay it back?
Which Card Would You Choose?

- **Orange Card**
  - APR: 8.5%
  - Annual Fee: $90
  - Late Fee: $25

- **Perks Card**
  - APR: 12.5%
  - Annual Fee: $35
  - Cash Back: 5%

- **Blue Card**
  - APR: 19.5%
  - Annual Fee: $0
  - Over Limit Fee: $39

A! Orange Card

B! Perks Card

C! Blue Card
Which Card Did You Choose? Why?
Credit Card Act (2009)

Protections for Consumers

- Limits increases on credit card interest rates
- Prohibits certain billing & payment practices
- For new credit card accounts, the interest rate cannot change for 12 months
Under 21: Harder to get a Card

Must have a co-signer or prove capacity to repay

No Recruiting on Campus

CAUTION: Some credit card companies are accepting scholarships and student loans as proof of capacity to repay
Consumers Beware!

The law does not limit how much your interest rate can rise if you’re 60 days late.

Your minimum monthly payment can change.

Watch for new fees.
Credit: Fact or Myth?

Carrying a balance is good for your credit score.
Carrying a balance is good for your credit score.
Avoid These Credit Mistakes

- Overspending
- Owning too many credit cards
- Carrying a permanent balance
- Assuming low interest rates stay the same
Pay More Than Required

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>New balance</td>
<td>$3,000.00</td>
</tr>
<tr>
<td>Minimum payment due</td>
<td>$90.00</td>
</tr>
<tr>
<td>Payment due date</td>
<td>4/20/12</td>
</tr>
</tbody>
</table>

**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 it will take you longer to pay off your balance. For example:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>If you make no additional charges using this card and each month you pay...</td>
<td></td>
</tr>
<tr>
<td>Only the minimum payment</td>
<td></td>
</tr>
<tr>
<td>$103</td>
<td></td>
</tr>
<tr>
<td>You will pay off the balance shown on this statement in about...</td>
<td></td>
</tr>
<tr>
<td>11 years</td>
<td></td>
</tr>
<tr>
<td>And you will end up paying an estimated total of...</td>
<td></td>
</tr>
<tr>
<td>$4,745</td>
<td></td>
</tr>
<tr>
<td>(Savings = $1,033)</td>
<td></td>
</tr>
</tbody>
</table>
Credit: Fact or Myth?

Credit card companies won’t send you offers you can’t afford.
MYTH

Credit card companies won’t send you offers you can’t afford.
Watch for Signs of Credit Trouble

- Not Knowing Your Total Debt
- Using One Card to Pay the Balance on Another
- Getting Frequent Cash Advances
- Maxing Out Credit
Dealing with Debt

1. Electronic store credit card
   - $76 monthly payment

2. Car loan
   - $359 monthly payment

3. Department store credit card
   - $128 monthly payment
Talk To Your Lender

✓ Ask for a lower interest rate
✓ Ask for a lower credit limit
✓ Ask to change when your bill is due
✓ Discuss your situation & set up a payment plan
✓ Put all agreements in writing
Once paid, bad debt will go away.
MYTH

Once paid, bad debt will go away.
You’re not responsible for debts on joint accounts or co-signed accounts if they aren’t your purchases.
MYTH

You’re not responsible for debts on joint accounts or co-signed accounts if they aren’t your purchases.
Credit Means More Than Borrowed Money: It’s Your Credit History

- Your Credit History
  - Credit bureaus collect information about your credit use
  - Interest rates on loans
  - Insurance rates
  - Whether to rent or give you a job
  - Other businesses use this information
Credit reporting agencies want you to build and maintain good credit.
Credit reporting agencies want you to build and maintain good credit.
FACT

Read more myths here: http://www.experian.com/blogs/news/2012/09/17/credit-score-myths/
Check Your Credit Report

One central place to order FREE reports

Check each of the 3 bureaus

annualcreditreport.com

Equifax

Experian

Transunion
Steps for Success:

1. Shop around for good interest rates
2. Read the disclosure statement
3. Pay off debt payments with the highest interest first
4. Pay your bill on time and pay off as much as possible every month
Steps for Success

Save money!

Avoid having to use credit cards for unexpected expenses

Small amounts add up
Tweet Chat Wednesday
@ 1:00 PM CST
http://goo.gl/TuH1rW

HASHTAGS
#UIMoney
Or
#GetSavvy

FOLLOW
@MoreThanCoupons
@ILStudentMoney
@finwellnessuie
@Pennies4Pigs
@WalletWarrior
@RetireWellUIExt
Register for...

Get Savvy
Grow Your Green Stuff
Nov 11
Steps towards Investing

UNIVERSITY OF ILLINOIS EXTENSION
investing in your financial health

UNIVERSITY OF ILLINOIS USFSCO
University Student Financial Services & Cashier Operations
Stay in Contact with Us!

Financial Wellness
web.extension.illinois.edu/financialwellness

Student Money Management Center
studentmoney.uillinois.edu
Financial Literacy Badges Program

Want to participate in University of Illinois financial education events and programs while also earning badges that you can display on social media sites? Participate in the Financial Literacy Badges Program!

Badges Activity Inclusion Form: go.uillinois.edu/BadgeInclusionForm

Learn more about the the Financial Literacy Badges Program by visiting: badges.illinois.edu/usfsco/financialliteracyprogram

Launch of the Financial Literacy Badges program is supported through the Financial Literacy Counts Grant from HigherOne.
Questions?
Thank You