

9 Things Every College Student Should Know About Money

Thing 4 Presentation Transcript

They Are Watching

MOVIE NIGHT

Instructor Brad: Hey! Here's another great "freebie" right here on campus. You should check it out with your friends. Especially your movie loving friends.

THEY ARE WATCHING

Number Four--They Are Watching.

MOVIE NIGHT

Penny: Ryan is running late. I hope he gets here soon.

Madison: Bucky and I will get seats. I'm sure he'll be here in time for curtain up.

IT'S SHOWTIME!

TOPICS

1. CREDIT BUREAUS Button Interaction

The Credit Bureaus. So who is it that's watching you? Credit bureaus. A credit bureau is an agency that researches the credit history of consumers so that creditors can make decisions about making loans. There are three major credit bureaus in the United States; Equifax, Experian, and Transunion. They all do business basically the same way, but there can be differences between the three based on what credit extenders are reporting to them and who reports to which agency, so they're not always exactly the same. The credit bureaus use the information reported to them to create a historical file of your use of credit and to create your credit score. You can have a little bit of a higher or a little bit lower score between them based on what's been reported to them and how they use that information. Click on each of the buttons to check out what each website looks like.

2. ESTABLISHING CREDIT

Establishing credit.

DON'T MESS WITH MY CREDIT

MATCHING Interaction

The five C's of credit. What are lenders going to look for when it comes to extending credit to you? Well, the five C's are kind of a benchmark that you can use to try to work on to make sure that you excel in these categories to the greatest possible extent.

Character. Character is basically the moral qualities of an individual. You know, extending credit is a people business. They're going to put a lot of stock into what they think of your character. Are you the kind of person that follows through on your commitments? Are you the kind of person that pays your bills on time? Are you the kind of person they trust with whatever idea you're bringing forward or for whatever reason you're asking for the credit? They want to put their good faith in you, that you're not going to default on a loan and that you have the character to see this credit is paid through to the end.

Capacity. Capacity is the amount of debt one can handle. You know you can have all the character in the world, but if you don't have capacity, in other words the right kind of income, or the right amount of income in order to pay the monthly payment, and eventually satisfy the debt, then they can't loan you the money. You have to have the financial capacity in order to afford whatever it is you are trying to get the credit extended for. You can't buy a million dollar home if the numbers say you can only afford a \$200,000 house.

Capital. Capital is the financial resources owned by the individual or business. Do you have any assets that are worth money and of value that can be considered when extending you credit? If you already own a business and you're asking for credit to expand your business-- is there capital involved that actually has value? Capital that supports your net worth is such that you're a good investment for them as far as establishing credit is concerned?

Collateral. Collateral is a supplemental item used to back a loan. Do you have anything that you're willing to put at risk? Collateral basically means that you're showing a good faith effort by saying "if I don't pay this debt according to the terms, then you can take this asset away from me". You could put up your car or some type of equipment, or land, or whatever is of value and that they're willing to agree to it as collateral. You're putting that fixed asset at risk so that if you don't make the payment, they basically own that collateral that you put up. If you don't pay them back, they have less risk because they can assume or take this collateral from you.

Conditions. Conditions are the current factors that are affecting the economy. You know if you've got a really good job in a field that is going gangbusters, the conditions are right for

you. But if you've got a good paying job that's getting outsourced overseas, or getting automated to where those positions are becoming less and less, your position may even be at risk. The conditions may not be right for them to extend you credit going forward.

The 5 C's Drop Down Interaction

3. YOUR CREDIT REPORT AND FICO SCORE

Your credit report and FICO score.

CREDIT SCORE PARTNER?

REVIEW AND PROTECT YOURSELF

How do you access these mysterious things, your credit report and FICO score--that are so important in your life? What do you need to know about them? You need to learn how to review and how to protect yourself. The Fair Credit and Reporting Act requires each of the 3 nationwide credit reporting companies that we talked about earlier, Equifax, Experian, and Transunion—to provide you with a free copy of your credit report, once every 12 months, at your request. So, by law, you get to have access to a free credit report annually, and can review the information reported about you in your credit report from each of the 3 credit bureaus.

CHECK YOUR CREDIT REPORTS

Now, some of you may not have any credit information at this time if you have never been extended credit, or never have taken out a loan, or never had your name on something that is actually reported to the credit bureaus. You still need to check your credit report and review it carefully. You especially want to look for any negative marks or anything that is not yours, and take action to deal with that which we'll talk about in a few minutes.

Next, you can also get your credit score, known as a FICO score. You may have to pay a nominal fee for your FICO score, and again, if you don't have much credit you may not have much of a FICO score. You would have some type of FICO score just for existing, but to impact your score you have to actually build up a credit history by making payments over a longer period of time.

FREE ANNUAL CREDIT REPORT

You need to know what's on your credit report, and the way to do that is to get your free annual credit report at annualcreditreport.com. That is how you can go in and check what is on your credit report with each of the credit bureaus. This is the only official website where

you can go in and request your copies of your free credit reports every 12 months from Equifax, Experian, and Transunion. As I said earlier, what you need to do is review this information carefully and monitor your reports in order to find errors and catch identity theft early on.

One strategy that may work well for you is to schedule when to order your credit reports. Incorporate this part of your financial plan right into your yearly calendar. This is easy to do and to remember because you'll be doing this financial thing just once each quarter. If you request your credit reports in alpha order, it's easier to remember the plan.

For example on:

January 15 – Request my Equifax credit report

April 15 – *Taxes are due*

July 15 – Request my Experian credit report

October 15 – Request my Transunion credit report

YOUR CREDIT SCORES (FICO)

Let's watch a short video.

Video: [Understanding How a FICO Score is determined](#) 6 mins.

Purpose: Explains how your FICO credit score is determined and how your payment history and financial behaviors impact your score.

SELF-ASSESSMENT M/C

Where can you get your FREE online credit report?

INTERMISSION

BUCKY'S EPIPHANY

Penny: Hey ya'll, let's go get some coffee.

Madison: Sounds great after eating all that free popcorn.

Bucky: Sure, sounds good, but I think I'll get something cold to drink.

Bucky thinking: Picture of a cold draft root beer in a frosty mug.

Bucky sees "Hiring" sign and thinking: Hang on- this would be a great place to work!

4. REPAIRING CREDIT

Repairing credit.

HOW TO REPAIR CREDIT

Okay, so what if you're already in trouble? Or if you forgot everything you've learned in this class and you end up getting yourself into trouble with credit, how can you repair it? Well, all is not lost, you can repair your credit, but as with everything else that comes up with financial planning, you've got to have a plan.

You've got to have a plan as to how you can get this credit repaired so that you can get back on the right track and people are going to be willing to once again extend you credit. The best way to do that is to just pay your bills on time. Put a lot of miles between you and a late payment. I mean just month in, month out, you need to have a routine, *and you need to have a place*. I have a box, and everyone in my family knows where the bill box is, and any mail that comes in that looks like a bill, it goes in the bill box. Every other week I pull out the bill box and make sure all of our bills are paid. It's a little easier now, most of my bills are online, so many of them are paid automatically through either a direct payment out of my checking account, or through automated bill pay that I initiated, but you want to put a structure in place that ensures that you are paying your bills on time so that no other hits going forward will end up on your credit report.

And then you want to consider an asset building strategy as well. I mean, you need to start accumulating assets, I mean, real assets. I know you're young, and I know you're just starting out. But it is important for you to have a growing net worth. You don't have to start at the top of the mountain, but you need to start growing your net worth so that you can start bringing assets into your financial sphere that will eventually help you when it comes to repairing your credit or building your credit up so to speak.

Next, review your plan. Review your plan in timely intervals. Determine your progress. See how far along you've gotten. Is it far enough? Do you have to do more? Great, then you're making progress. If not, well then let's talk about the next step in coping with debt.

COPING WITH DEBT

Finally if you just can't find a way out and it just looks dark to you then you need to go and get some credit counselling services. Again, make sure you get a good credit counselor, someone who can help you connect with your creditors and help you with your budget so you can find a solution to resolve your debts. Don't get someone who is just going to push you straight to bankruptcy as the only solution. Make sure that you find a credit counseling or debt relief service that is reputable and legitimate AND is not *going to rip you off*,

because there are a lot of scams out there trying to take advantage of your hardship—and we'll talk a lot about scams later in this course.

Try to figure out if there's any intermediate steps you can before making the giant leap of having to file bankruptcy. I mean, we talk about goals in this class and one of the goals that I think you should have is to try and not file bankruptcy throughout the course of your life. If you're an entrepreneur, you're a businessman, sometimes that's almost unavoidable, but do everything that you can from a financial perspective to avoid having to file bankruptcy because that will have one of the most negative impacts on your credit possible and it will stay with you for a very, very long time.

5. IDENTIFY THEFT

Identity theft.

PUBLIC SERVICE ANNOUNCEMENTS

MORE VIDEOS ON IDENTITY THEFT

Video: [FTC - What is Identity Theft?](#)

Purpose: Provides an explanation about what identity theft is and steps you can take to protect yourself from identity theft.

Video: [FTC - Why Care about Identity Theft?](#)

Purpose: Explains identity theft and how to use your credit report to check for identity theft.

REPORTING IDENTITY THEFT

Video: [FTC – What to Do if You are a Victim of Identity Theft?](#)

Purpose: Explains the process of reporting identity theft.

UNCLE AT THE BANK

TIME FOR A COLD ONE!

MOVIE CREDITS

DON'T QUIT YOUR DAY JOB!

Madison: Mmm...good thing I got some coffee to keep me awake.

Penny thinking: No kidding...

Bucky: Someone needs to tell Mr. Burnett to **not** quit his day job!

GLOSSARY REMINDER

Be sure to review all the terms in the glossary as they will be on the quiz and final exam.