

III Credit

A. What is Credit?

1. Credit is a persons ability to pay back debt.
2. Measured by a ~~score~~ score 450 - 850
3. You are tracked (financially) by 3 companies: Transunion, Equifax, and Experian
 - a) Details your borrowing and repayment history (7 years)

B. What is Credit Worthiness?

1. Measure of a variety of factors that determines a persons ability to repay loans
2. ~~THE~~ The Three "C's" of Credit
 - a) Character
 - i) Past history of paying debts
 - ii) One late payment can take a long time to erase.
 - b) Capacity
 - i) looks at a persons credit to debt ratio
 - ii) Show example
C.T: Never cancel a card
 - c) Collateral
 - i) Assets that people own
 - ii) More collateral = more credit

C. Paying off a credit card

1. Credit Cards use compounded interest

2. This means interest is calculated on the remaining balance

Ex: 1000 loan/charge
10% interest
3yr time

1000
x .10

100 Interest for 1st yr + immediately added to amount owed

1100
x .10

110 Interest for 2nd year + immediately added to the amount owed

1210
x .10

121 Interest for 3rd yr + immediately added back

Total Payback = 1331

* You will always pay back more with compound interest over simple interest.

* Go over Crooks Credit building plan *