

Credit 101

The Basics



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What is credit?

- Credit is your ability to buy something using other people's money or OPM. Some financial institution decided you are trust worthy enough to give you a loan or a credit limit because your credit score tells them you would have no problem paying them back with interest.



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Things Credit Can Be Used For

- Buying a house
- Renting an apartment
- Getting good insurance rates
- Buying a car
- Buying everyday items
- Paying for education
- Paying for furniture
- Opening up service accounts like utilities or cable
- Getting certain jobs



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What is good credit?

- Good credit is typically 700+ with all 3 bureaus. The better your credit, the better the interest rate you will receive on loans and mortgages. You will not have to pay a lot of down payments to set up accounts.
- When you have good credit, you will be able to easily place yourself in debt but that is due to your proven ability to manage debt. We discuss how to raise your credit and credit scores in detail in future courses.



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Credit Bureaus

- There are three credit bureaus that lenders report to: Equifax, TransUnion and Experian.
- Some lenders report to all three and some only report to one or two. Because of this, most lenders use your FICO score which is a calculation of your credit score using all three scores.



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Credit Report

- Your credit report is the *why* behind your credit score. Once a year, you can pull your credit report from all three bureaus for free. If there is anything inaccurate on the report, you can have it removed and it may improve your score. We discuss the different processes you can take to dispute inaccuracies in future courses.



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Next Steps

- 1) Check your credit score to see where you stand. Your bank may provide your credit score to you for free. Credit Karma is also free to use and provides your Equifax and TransUnion credit scores.
- 2) Request your free credit reports from TransUnion, Equifax and Experian from <https://www.annualcreditreport.com>. This is the only federally authorized site. If any page makes the slightest mention of paying for your reports, you are on the incorrect site.



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