

2/22 Credit reports and credit scores

KNOW YOUR CREDIT SCORE – IT AFFECTS HOW MUCH YOU WILL PAY FOR LOANS AND CREDIT!!!!

Poor credit costs you in more ways than you can imagine. Your credit score influences the credit that's available to you and the terms (interest rate, etc.). Because Fair Isaac Corporation is the leading developer of credit scores and the most widely used, the credit score is often called a "FICO." Scores range from 300 to 850. The higher your FICO, the lower your payments! Qualifying for better rates from lenders can save you substantial amounts of money! Do the math and compare just how much! Answer these questions for each of the following loans. How much more does a person with the lower score pay monthly compared to someone with the highest score? How much more will the person with the lower score pay in one year? How much will the difference be over the life of the loan?

The following interest rates are accurate as of February 15, 2008 according to <http://www.myfico.com/> for those with the highest and lowest FICO scores.

1. Mortgage: 30 year fixed mortgage rates and payments for a 300,000 loan or the average national cost for a new home.

FICO® score	APR	Monthly payment *
760-850	5.529%	\$1,709
500-579	10.195%	\$2,676

2. Auto loan: 36 month car loan rates and payments for a \$25,000 loan or the average cost of a new car.

FICO® score	APR	Monthly payment
720-850	6.548%	\$767
500-589	14.678%	\$863

If each person financed a new car every five years, how much would it cost the person with bad credit over 30 years than someone with good credit?

Do you understand why your FICO matters? Each of the three credit reporting agencies may have different information about you so your scores will also be different. Check all three of the CRAs and make sure they are all accurate since lenders may review your score and credit report from any of them.

To learn more about the topic of credit scoring

* FTC guide, www.ftc.gov/bcp/online/pubs/credit/scoring.htm

* PRC Fact Sheet 6c on credit scores, www.privacyrights.org/fs/fs6c-CreditScores.htm

Newspaper Activity

Look for credit card ads. Make a chart with a column for each card issuer. Under each card note the following:

- * **What are the selling points?**
- * **Does it have an annual fee? Is an annual fee mentioned?**
- * **What is the annual percentage rate (APR)?**
- * **Does it have an introductory rate that will rise sharply?**
- * **What is the late-payment fee?**
- * **What does the fine print tell you?**
- * **Why is the APR different from the stated interest rate?**
- * **Which card is the best value? Explain.**

Activity for the week: compare how interest rates and term of the loan affects how much you pay for credit!

Quiz Question

2/22/08

What is a credit score?

- A. A representation of your credit history over the last 10 years
- B. How much credit you have been granted by a creditor
- C. The amount of income you have to pay your credit card bills
- D. A predictor of how likely you are to pay your bills at a certain point in time

Responses:

- A. Incorrect. This describes a credit report, not a credit score. Try again!
- B. Incorrect. The amount of credit you are granted by a creditor is your credit limit, not credit score. Try again!
- C. Incorrect. A credit score is not the amount of income you have to pay your credit card bills. Try again!
- D. Correct! Your credit score is a mathematical model that lenders use to predict the likelihood you will repay your bills as promised. This score changes overtime as your financial situation changes.

WEEKLY QUIZ Question: Visit www.cccr.psu.edu to play the S³ Online Game - Save•Spend•Succeed. Your students can use the online game to practice for the Live S³ Game Show available from JA and Penn State Behrend. Two teams will compete for prizes at Penn State Behrend during the year. They will be treated to lunch and will be given a tour of the college.

Each Friday except Friday 11/23, 12/28, 1/18, 3/21, and 4/18 you will receive newspapers from Erie Times-Newspaper in Education program paid for by our sponsors (see below)

Friday newspaper includes weekly financial literacy topics and weekly activities, your space for student writing, a S³ trivia bonus question and newspaper activities to help students make the connections to the real world by using the newspaper as their resource.

See below for this week and for more resources.

Partner WEBSITES for more information

www.erie.ja.org
www.cccr.psu.edu
www.riefcu.org
www.unitedwayerie.org

Financial Literacy Website Resources

NEFE – National Endowment for Financial Education

<http://hsfpp.nefe.org/home/>

<http://www.nefe.org/pages/educational.html>
www.smartaboutmoney.org
<http://www.smartaboutmoney.org/nefe/pages/content.asp?page=1730#Top>
<http://www.cooperativalatina.org/education/curriculum.htm>

NEFE – Teen Resource Bureau Website

<http://www.ntrbonline.org/>

The Jump Start Coalition for Personal Financial Literacy

<http://www.jumpstart.org/>

Money Instructor

<http://www.moneyinstructor.com/>

<http://www.moneyinstructor.com/checks.asp>

Financial Literacy in a Box

http://www.mcul.org/Financial_Literacy_In_A_Box_658.html

Pennsylvania Office of Financial Education – Pennsylvania Department of Banking

<http://www.moneysbestfriend.com/>

CUNA – Credit Union National Association

<http://www.creditunion.coop/>

<http://www.precision-info.com/quiz/quiz.cgi?c=1056147613&t=coop>

Thrive By Five - http://www.creditunion.coop/pre_k/

NCUA – National Credit Union Administration

<http://www.mymoney.gov/>

Money Matters

<http://www.smartcredittips.com/>

National Youth Involvement Board

<http://www.nyib.org>

www.eriefcu.org

Treasure Club Kid's Account - <http://www.eriefcu.org/savings/treasure-club/>

CU Succeed – For Teens 13 – 18 <http://www.eriefcu.org/savings/financial-literacy/>

Scholarships for college students - <http://www.eriefcu.org/loans/student-loans/>

“Guides to Independence” Online Interactive Educational Teen Program

<http://www.eriefcu.org/savings/financial-literacy/>