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The University of Texas at Austin  
Office of Scholarships  
and Financial Aid

# CREDIT

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Financial Literacy Series: Credit, Building Credit & How to Prevent Identity Theft

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# Objectives

- Define and discuss various types of credit
- Identify various factors that affect a credit score
- Recognize ways to detect, defer and defend against identity theft

# What is Credit?

Credit is the ability to borrow money (or access goods or services) with the agreement to pay later, generally with interest.

# Types of Credit

- **Installment Credit**
  - Automobile Loans, Home Mortgages, Student Loans, and Personal Loans
- **Revolving Credit**
  - Credit Cards and Lines of Credit
- **Service Credit**
  - Utilities, mobile phone service and memberships

# Establishing Credit

- **Equal Credit Opportunity Act:** Prohibits credit discrimination
- **Brick and Mortar**
  - Commercial Banks
  - Savings and Loans
  - Credit Unions

# Establishing Credit

- **Virtual Banking**
  - Internet banks
  - Peer to Peer Lending
- **Alternatives**
  - Consumer Finance Companies
  - Pawn Shops
  - Buy-Here-Pay-Here

# 5 C's of Credit

Factors the lender considers when deciding whether or not to extend credit to the borrower.

- Capital
- Capacity
- Character
- Collateral
- Condition

# Credit Behavior Activity



Minimal History of Late Fees

Late or Missed Payments

Creditor Closed Accounts

Current Checking and Savings Account

Maxed Out Credit Cards

Cash Advance on a Credit Card

Regular Timely Payments

Keeping up with your Credit Report



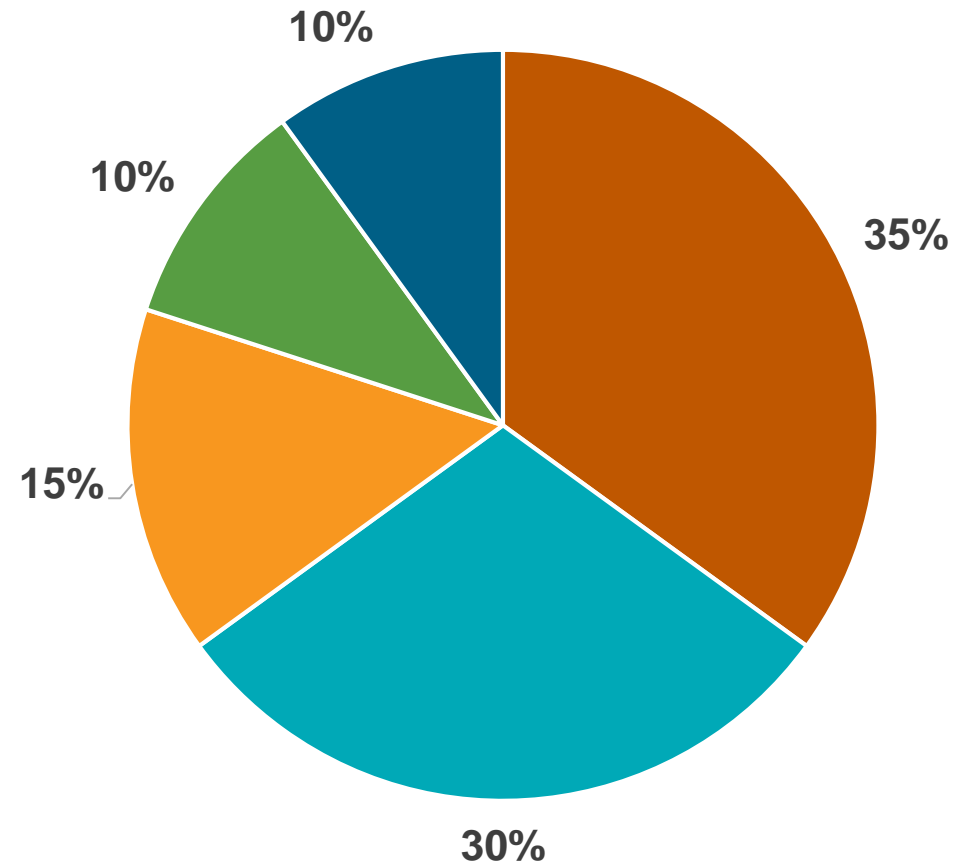
# Maintaining Credit

- **Credit Score**
  - Predicts likelihood of certain credit behaviors, including default
- **Credit Report**
  - Fair Credit Reporting Act

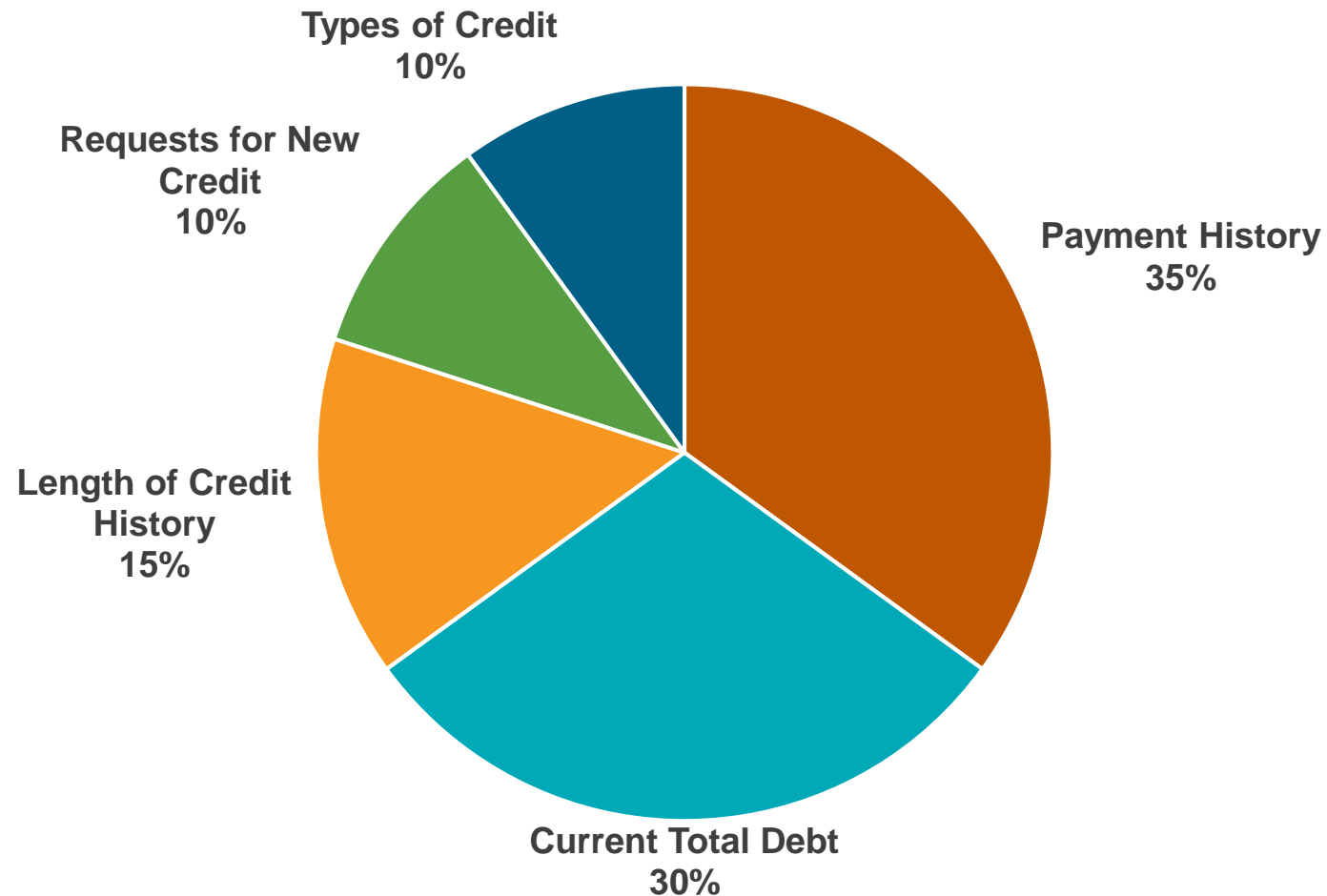
# FICO Score Activity

**Rank the following factors that affect your credit score!**

- Types of Credit Used
- Length of Credit History
- Payment History
- Requests for New Credit
- Current Total Debt



# FICO Score Activity



# Identity Theft and Fraud

- **Identity Theft** is the illegal use of another individual's personal data.
- Fair and Accurate Credit Transactions Act
- Credit Repair Organizations Act

# Three Steps to Prevention Activity

## Deter

- Shred documents with personal data
- Protect social security number
- Avoid giving out personal information through phone, mail or online
- Be aware of unsolicited emails
- Create difficult passwords

## Detect

- Be aware of unexpected mail or bills
- Review credit report annually for inaccuracies

## Defend

- Place “Fraud Alert” permissions on your credit report
- Close tampered accounts
- File a report with local law enforcement
- Report complaints to Federal Trade Commission

# Resources

- To order your **FREE** credit reports visit [www.annualcreditreport.com](http://www.annualcreditreport.com).
- Download a personal finance app
  - Mint, Pocketguard, Spendee, Wally

# Contact Information

## Texas Financial Wellness

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