



Personal Finance Overview

Managing Debt / Building and Maintaining Good Credit

Financial Education Workshops

This is the *third* workshop in a three-part series.



Understanding Your Financial Situation and Budgeting

- ☐ Taking a Financial Inventory
- ☐ Budgeting: Making the Most of your Money
- ☐ Allocating your Money



Savings, Investing, and Maximizing Wealth

- ☐ Save for Retirement and Other Goals
- ☐ Maximizing Income
- ☐ Financial Goals and Budgeting



Building & Maintaining Good Credit/Debt Management

- ☐ Establishing Credit
- ☐ Taking a Financial Inventory
- ☐ Managing Debt
- ☐ Building and Maintaining Good Credit

Welcome!

Plan for *this session* of Managing Debt / Building and Maintaining Good Credit



Speaker(s) Introduction



Goals for the Session

Topics of Interest

Preparation for Q&A Session

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Topics covered in this session of Savings, Investing, and Maximizing Wealth



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The Importance of Establishing Credit

When it comes to Credit Score, it can affect:

Credit Can Affect Where You Live – Before you can buy a house, mortgage lenders want to know that you won't default on your mortgage. If you don't have good credit, the lender will consider it risky to give you a mortgage loan.

Auto Loans Require Good Credit – Your credit rating affects where you are qualified, the amount you can receive and the interest rate of the loan.

Credit Checks for Employment – If you haven't demonstrated financial responsibility, a prospective employer might be hesitant to hire you.

Business Loans Require Good Credit – Often times to start a business, an individual will need a sizable loan amount. Lenders often run your credit to see if you have good to qualify for a loan.



Taking a Financial Inventory

Assets – Liabilities = Net Worth

ASSETS are the value of possessions. Typically, they appreciate over time and can help generate cash flow.

LIABILITIES are debt or money borrowed.

NET WORTH is the difference between your assets (what you own) and your liabilities (what you borrowed). Your net worth is your financial wealth.

To manage debt, you need to know how much you have and develop strategies to control it.

Bob's Balance Sheet	
Wealth-building assets	Amount
Cash	\$ 1,500
Savings account	1,000
Stocks, bonds and other investments	5,000
401 (k) retirement plan / IRA	25,000
Market value of home	0
Other assets	
Market value of car	14,000
Total assets	\$ 46,500
Liabilities	Amount
Home mortgage	\$ 0
Home equity loan	0
Car loan balance	13,000
Credit card balances	3,000
Student loan	5,000
Child support*	2,400
Miscellaneous liabilities	1,500
Total liabilities	\$ 24,900
Net worth	\$ 21,600

* Represents one year of payments.

Managing Debt

Learned about the types of debt

Credit Card

Mortgage

Student Loan

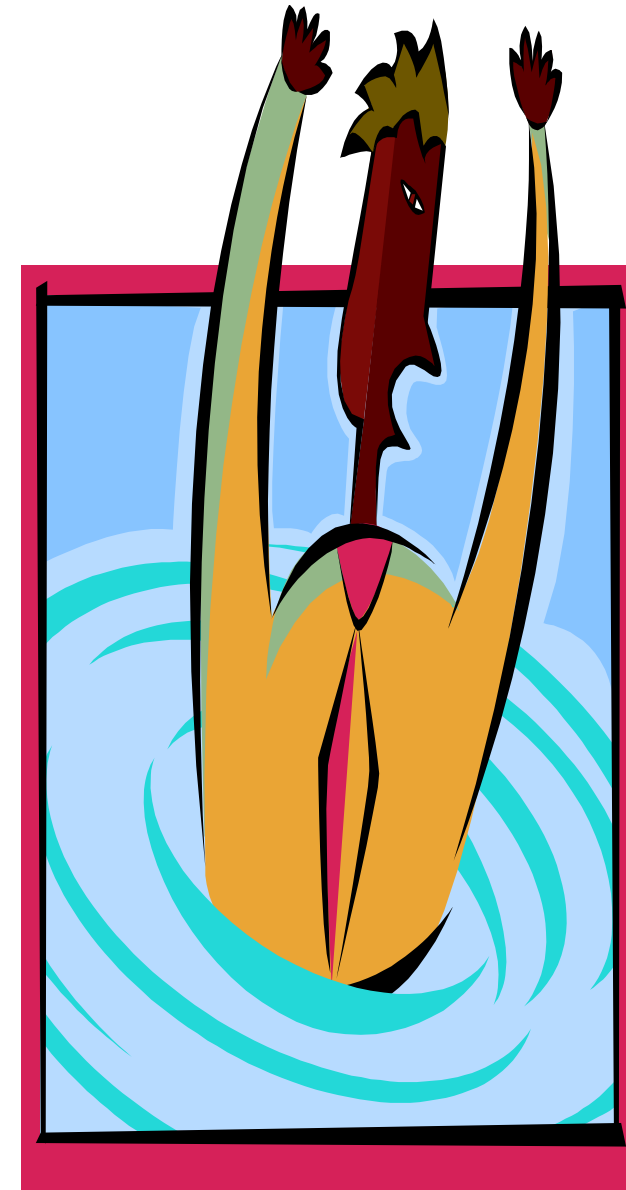
Paying Down Debt Strategically/Other Tips

- **Choose loans carefully** – shorter terms and lower interest rates will allow you to pay less in the long run
- **Conventional wisdom** – Pay the card with the highest interest rate first
- Some consumers get a psychological boost by paying off smaller balances first
- Determine how much you can afford to pay down each month – make the payments consistently. Keep sending the maximum amount you can afford.
- Develop a budget and stick to it.
- Aim to save money monthly into an **emergency fund** so you're prepared for unforeseen circumstances.

Managing Debt

Learned about the types of debt

- Having trouble paying your bills? Are your accounts being turned over to debt collectors? Are you worried about losing your home or your car?
- You're not alone. Many people face a financial crisis some time in their lives. Whether the crisis is caused by personal or family illness, the loss of a job, or overspending, it can seem overwhelming.
- Some options to potentially consider: realistic budgeting, credit counseling from a reputable organization, debt consolidation/negotiation or bankruptcy.



Building and Maintaining Good Credit

What's on YOUR Credit Report?

Consumers have the right to receive annually a free copy of their credit report from each of the three major credit reporting companies:

Equifax: 1-800-685-1111; www.equifax.com

Experian: 1-888-397-3742; www.experian.com

Trans Union: 1-800-888-4213; www.transunion.com

The three nationwide consumer credit reporting companies have set up a toll-free telephone number and one central web site for ordering free reports:

1-877-322-8228; www.annualcreditreport.com

Credit Reports

You can access YOUR credit report by contacting one of the main credit reporting agencies: Equifax, Experian, or Trans Union.

It is recommended to check your credit report regularly.

You will find the following in a credit report:

- **Personal Information**
- **Accounts**
- **Inquiries**
- **Negative Items** (missed debt payments, past arrests, history of bankruptcy, etc.)

Building and Maintaining Good Credit

The Fair Credit Reporting Act

The Fair Credit Reporting Act (FCRA) promotes the accuracy, fairness, and privacy of information in the files of the nation's consumer reporting companies. The FTC enforces the FCRA with respect to these companies. Recent amendments to the FCRA expand consumer rights and place additional requirements on consumer reporting companies. Businesses that provide information about consumers to consumer reporting companies and businesses that use credit reports also have new responsibilities under the law.

The Fair Credit Reporting Act (FCRA) requires each of the nationwide consumer reporting companies — Equifax, Experian, and TransUnion — to provide you with a free copy of your credit report, at your request, once every 12 months. The Federal Trade Commission (FTC), the nation's consumer protection agency, has prepared a brochure, [Your Access to Free Credit Reports](http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre03.shtm#tips), explaining your rights under the FCRA and how to order a free annual credit report.



Building and Maintaining Good Credit

Credit Score

What is FICO?

- FICO is the most widely used source to determine an individual's credit score.

Why is it important?

- When you apply for a loan, the loan provider will most likely check your FICO Score.

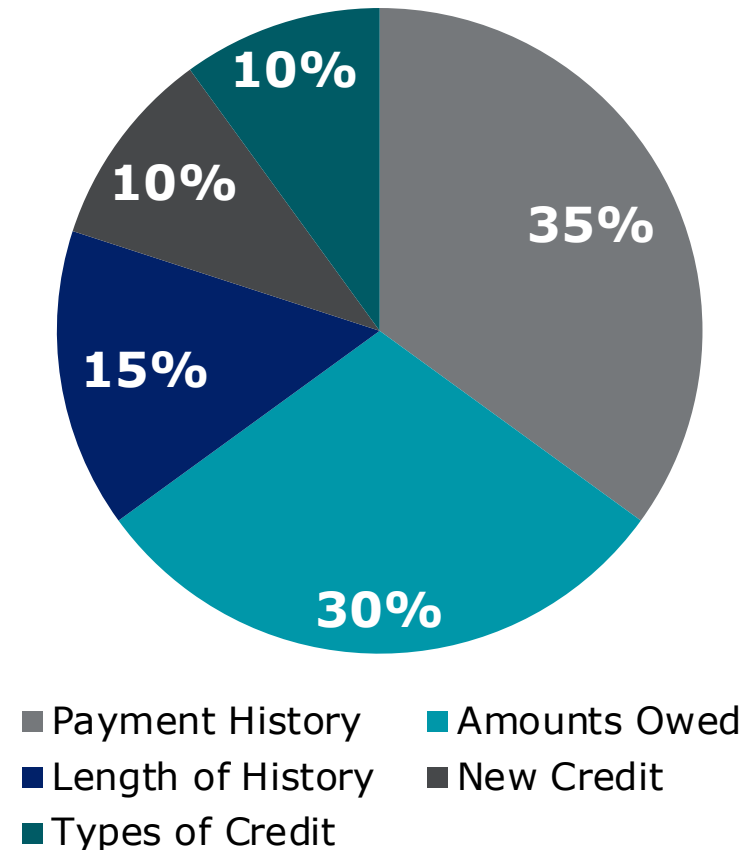
Who uses your credit score?

- Landlords, lenders (auto/mortgages), credit card companies, utility/telephone companies, insurance companies, potential employers.

What is a good score?

- It generally depends on the context since there is no score cutoff. Some auto lenders may give a loan at a score above 640, but another will not give a loan to anyone below 700.

Typical Elements of Your Credit Score



Source: NY Times

Building and Maintaining Good Credit

Ways to Improve Your Credit Score

Pay your bills before the due date

Stay within your budget

Be selective about your credit cards and loans and keep them for a long time

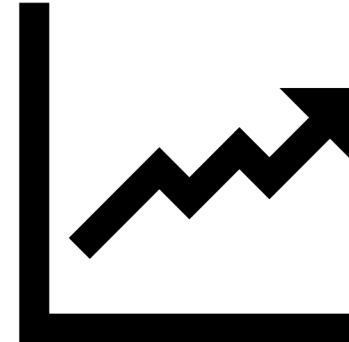
Review your credit report at least *once a year* to make sure information is accurate

Correcting Errors on Your Credit Report

Contact the credit bureaus and alert them of any errors on your report

Wait for feedback

Follow-up



Helpful Apps and Websites to Use for Monitoring Your Debt and Credit



MINT – Free Budget Tracker & Planner



Personal Capital – Free Wealth Management tool that tracks your Assets and Liabilities



Credit Karma – Free credit score estimates



Nerd Wallet – Free resource that can answer most personal finance questions

Coronavirus (COVID-19) Resources in the DMV Area



- **Washington, District of Columbia (D.C.)**

- <https://coronavirus.dc.gov/>

- **Maryland**

- Anne Arundel County: <https://www.aacounty.org/coronavirus/>
 - Charles County: <https://charlescountycovid.org/resources/>
 - Frederick County: <https://health.frederickcountymd.gov/614/Novel-Coronavirus-COVID-19>
 - Montgomery County: <https://www.montgomerycountymd.gov/HHS/RightNav/Coronavirus.html>
 - Prince George's County: <https://www.princegeorgescountymd.gov/3397/Coronavirus>

- **Virginia**

- Alexandria: https://www.alexandriava.gov/Coronavirus_
 - Arlington County: <https://www.arlingtonva.us/covid-19/>
 - Fairfax County: <https://www.fairfaxcounty.gov/covid19/>
 - Falls Church: <https://www.fallschurchva.gov/CivicAlerts.aspx?AID=1125>
 - Loudon County: <https://www.loudoun.gov/5323/COVID-19-Resources>
 - Manassas: <https://www.nvfs.org/covid-19-resource-guides/>
 - Prince William County: <https://www.pwcva.gov/covid19>
 - Stafford County: [https://staffordcountyva.gov/residents/public_safety/covid-19_\(coronavirus\)/health_information_and_assistance.php](https://staffordcountyva.gov/residents/public_safety/covid-19_(coronavirus)/health_information_and_assistance.php)

Resources

- **Federal Reserve Bank of Dallas** – (<http://www.dallasfed.org/ca/wealth/index.cfm>)
- **DC Saves** – Modeled on the national America Saves campaign, DC Saves is a coalition of nonprofit, corporate, and government groups helping individuals and families save and build wealth. Through information, advice, and encouragement, DC Saves helps residents of the District of Columbia improve their personal and household finances. We provide financial information, tools, and access to products and services that can be used to increase savings (<http://www.dcsaves.org/>)
- **National Endowment for Financial Education®** (NEFE®) is an independent, nonprofit foundation committed to educating Americans on a broad range of financial topics and empowering them to make positive and sound decisions to reach their financial goals. (www.nefe.org and www.smartaboutmoney.org)
- **Federal Trade Commission-** The FTC deals with issues that touch the economic life of every American. It is the only federal agency with both consumer protection and competition jurisdiction in broad sectors of the economy. The FTC pursues vigorous and effective law enforcement; advances consumers' interests by sharing its expertise with federal and state legislatures and U.S. and international government agencies; develops policy and research tools through hearings, workshops, and conferences; and creates practical and plain-language educational programs for consumers and businesses in a global marketplace with constantly changing technologies. (www.ftc.gov)
- **Myfico.com** – (http://www.myfico.com/Downloads/Files/myFICO_UYFS_Booklet.pdf)

Questions?

