Presentation Notes
Credit Scores and Your Financial Future
Allow students to brainstorm the answer to the question.
A credit score is the number given to a person that lenders use to determine their ability to repay a loan. The higher the credit score, the better the applicant looks to the credit lender. The lower the score – the higher the risk to the lender and a higher interest rate to you, the borrower.
A high credit score is needed when searching for an apartment or house because it helps ensure you will be able to make your payments to the credit lender. A good credit score can also mean better job opportunities because it lets employers gauge your responsibility and character. Lower interest and insurance rates are also given to individuals with higher credit scores.
There are many factors that can lower your credit score that many people are unaware of. If you fail to pay your bills on time, or have delinquent accounts, it can lower your credit score. Every time your credit is checked for a new loan or credit card, even department cards, it can lower your credit score. If you have multiple credit cards or have a high debt to income ratio, then you can have a low credit score also. Filing bankruptcy will also lower your credit score significantly. When your score is lower, it takes a long time of adding positive points to your credit score to change your credit rating.
Credit lenders look at the amount of debt owed, your payment history, the types of credit you have, how many new accounts you have opened and the length of credit history to determine your potential to repay a credit loan.
This is a credit score scale. Most credit lenders want you to have a score in the good range to receive credit.
To request your free credit score, you should contact one of the three free credit reporting agencies: Equifax, Experian or Trans Union. Beware of credit reporting agencies that ask for a credit card to give you your score. These are the only free credit agencies. You should check your score at least once per year so you are aware of your financial records.
A credit score can always be changed. It may take a few months before you notice a change on your credit score. This is because it depends on when the company or business has reported its payments to the credit reporting agencies. For this reason, it is important to always pay your bills on time and to only use credit responsibly. Never max out a credit card, and always monitor your credit cards, just the way you do your bank account.
Debbie has four credit cards. Two of the four cards have reached the available credit limit and the other two cards have used 50% of their available credit limit. Debbie has never missed a payment and always makes the minimum payment on the cards. She is in the process of relocating and is looking for places to live. Four different property management companies have run credit reports to check her financial history.

What factors could negatively effect Debbie’s credit score?

In groups or pairs, have the students read the paragraph on the slide and answer the question.

Answer: Debbie has multiple credit cards, two are maxed out and two are at 50% max. Debbie also only makes the minimum payment on each card each month. It is best to always pay off the card in full each month. Never charge more than you can afford to pay off with cash.
ANY QUESTIONS?
Resources and References

Images:
- Microsoft Office Clip Art: Used with permission from Microsoft

Websites:
- Consumer’s Guide: Credit
  http://www.federalreserve.gov/creditcard
- Credit Union National Association
  http://anytime.cuna.org/15608/index.php
- Financial Literacy Now
  http://www.financiallitnow.org/index.shtml
- Practical Money Skills
  https://www.practicalmoneyskills.com

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