

Financial Empowerment

Credit and Debt Pathways



FAQ'S - Workshop #2

What is Credit vs. Debt?

Credit – is what you try to obtain from a financial service provider. It comes in two forms; fixed and revolving credit. Car loans and mortgages are fixed loans, while a credit card is a revolving loan.

Debt –is what you owe: the car loan was offered as credit, but was converted to debt when the purchase was finalized. Credit cards may involve both credit and debt. Example – a person has a credit card limit of \$4,000, and over a period of time they utilize \$2,000. The \$2,000 utilized credit is converted to debt.

Why is good credit considered an asset? People with a good credit rating will save approximately \$250,000 in interest throughout their working lives. It impacts opportunities and access to:

- Rental Housing
- Auto Purchase
- Access to mainstream banking
- Car Insurance
- Employment
- Utilities and phones

Where do I order a free annual credit report? www.AnnualCreditReport.com

What's listed in my Credit Report?

Identifying Information

- Name
- Birth date
- Address
- Social Security Number

Public Record Information

- Liens
- Judgments
- Bankruptcies

Credit Payment History

- Dates when account was opened
- Current balances
- Credit limits
- Account terms
- Payment history

Inquiries

- Who has been looking at your credit file

How long will information be reported on my credit report?

Type of Credit Information	Amount of time on Credit Report
Positive information – such as timely payments	As long as it continues to be reported to the credit agencies.
Credit and Collection accounts	7 years from the date of last entry.
Court Records	7 years from the date filed.
Chapter 7 and 11 Bankruptcies	10 years from the date filed, even if eventually dismissed or discharged.
Inquires	2 years. There are two types of inquires - those that may impact your credit rating and those that do not.

How is my credit score determined? Credit scores are a mathematical calculation that shows your individual credit risk to creditors or institutions interested in your ability to pay your debt. They are calculated by each credit bureau based on your overall credit history.

What are credit building strategies that I can recommend to clients?

1. Rethink credit as an asset.
2. Encourage client to obtain a free credit report from Experian, TransUnion and Equifax on an annual basis.
3. Build NEW good credit – start with a secured credit card
4. Create a credit action plan – collaborate with a credit counselor
5. Dispute credit report inaccuracies

What resources are available to assist me in finding a credit counselor?

- **SKC ABC Financial Education Network Directory** –*Your Money Helpline Resource Guide* lists agencies that provide free and low-cost financial education classes, workshops, and one-on-one counseling services in King County.



- **Locator Tools**

How can I learn more?

- Monthly Financial Education Provider Network Meetings: free workshops and opportunity to share best practices.
 - ✓ Meetings 1st Wednesday of every month from 1:35 p.m. – 3:35 p.m. at the Urban League, 105 14th Ave, Seattle.
- *Your Money Helpline Resource Guide* – a resource manual to keep you informed (online version available at www.skcab.org)
- SKC ABC quarterly meetings
- SKC ABC email distribution list
- Facebook
- Online resources
 - ✓ www.SKCABC.org
 - ✓ www.everyoneiswelcome.org
 - ✓ www.creditbuildersalliance.org
 - ✓ www.bankrate.com
 - ✓ www.federalreserve.gov/creditreports/default.htm
 - ✓ www.scoreinfo.org
 - ✓ www.myfico.com

How can I become a member of SKC ABC? Everyone is Welcome! As an attendee of the SKC ABC Financial Empowerment Workshops, you will start receiving information on meetings and workshops that are available to you and your colleagues. For additional information you can also contact Diana Stone or Alice Coday.

Diana Stone
Director of Initiatives
206-275-1811
dstone@skcab.org

Alice Coday
Project Manager
206-251-7705
acoday@skcab.org

Don't forget to visit www.skcab.org and www.everyoneiswelcome.org to access locator tools, calendars, resource guides, updated news and much more!