

Your Money: Problems

Thinking about money is smart. Feeling stress or anxiety (worry) about money is "red flag" (sign) that you are heading for money problems. In survey, 32% of adults said stress and worry about money causes loss of sleep. Age group before today's high schoolers, called Millennials, are not handling money correctly to prevent problems, worry, and loss of sleep. 82% of these young adults are in debt (owe money) with largest debts in student loans and credit cards.



How can I tell if I am heading for money problems?

- You spend money on WANTS before you pay for your NEEDS: Wants are clothes, concerts, and Starbucks. NEEDS are rent, electricity, car insurance, and medical.
- You live paycheck to paycheck. You are desperate for money from your next paycheck because the money from your last paycheck is spent and gone.
- You use your credit card to pay everyday purchases that you should pay from your monthly budget of cash -- such as groceries, phone bill, rent, and car payment.
- You have little or zero savings. Rule of Riches says that you need to pay yourself first! When you get a paycheck, 10% needs to go into your savings — never to be touched.
- You take out Payday Loan. Payday Loan stores are mostly located in poor neighborhoods, and make people even poorer by taking advantage. If you borrow \$100 from a Payday Loan, the lender will charge \$40 for 14 days. If you cannot pay \$140 in 14 days, you may "roll over" the loan for more time and more interest. It is reported that average Payday Loan user ends up paying \$793 interest on a \$300 loan because the person cannot pay the loan back and keeps rolling over the loan.
- You only pay minimum payment due on credits cards. This makes your credit card debt grow higher.
- You pay off one credit card payments with another credit card because you do not have money.
- You don't want to go online and look at your bank accounts — or you don't want to open your mail.
- You ask other people for money to pay your monthly bills and credit card bills.

So what if I owe money. Who cares?

There are 3 credit bureaus tracking how well you handle your money (called "your credit history") — Equifax, TransUnion, and Experian. These 3 credit bureaus give your credit history to company called FICO. FICO takes your credit history and gives you a credit score from 300 to 850, with 850 being best. Your FICO score is based on payment history, amount of debt (money owned), and length of credit history (how many years you used credit cards and loans). Your FICO score tells lenders how likely you are to pay bills from your history of paying bills.



How is my FICO score used?

Your FICO score follows you everywhere! When you buy a car, the dealership will check your FICO score before giving you an auto loan. In fact, car dealership will offer you loan interest rate based on your FICO score. If you have high FICO score, you will get low auto loan interest rate such as 4%. If you have low FICO score, you will get a high interest rate such as 21%. \$4,000 auto loan at 4% interest is \$160 interest each year. \$4,000 auto loan at 21% interest is \$840 interest each year. If you have good money handling skills, you will save money when you buy a car. All stores and banks

who loan you money for a house, motorcycle, TV, or other item will check your FICO score before making a loan to you. Your FICO score is checked before you rent an apartment. Renters with low FICO scores may need to pay higher rents.



If I make money mistakes, how long until my FICO score can go high again?

You will get low FICO score if you: 1) Miss or make only minimum payments on credit cards. 2) Make late payments on car loan. 3) Do not pay your taxes. 4) Break a lease on your apartment and not pay all rent money due. 5) Never pay back a loan, and loan goes into "collections." Collections means that company who gave you the loan, gave your loan over to Collections Company. Collection Company tries to make you pay by aggressively calling you and sending you threatening letters. Your FICO score takes 5 to 10 years to repair after you ruin your credit history. During this 5 to 10 years, you must pay your bills and loans PERFECTLY. Then, your FICO score will go high again.

How can I see my credit report and FICO score?

You may get one free credit report from Experian, Equifax, and TransUnion credit bureau each year. To get your free credit report, visit AnnualCreditReport.com. Your credit report will list all your credit cards, loans, and how you pay. Check your credit report each year to make sure there is not an error such as credit card bill that belongs to another person. Fix errors you find immediately. **But, your credit report does not give your FICO score!** To get your FICO score: 1) Go to MyFICO.com to buy your score. 2) Go to Experian, Equifax, or TransUnion websites to buy your score. 4) Go to your bank to ask for your FICO score. Your bank may give you your score for free. BEWARE of websites like CreditKarma.com, CreditSesame.com, and Quizzle.com You may buy your credit score at these websites, but you are enrolled in monthly subscription plan that costs money for 12 months!



There are 2 ways to get rich — earn more money or spend less money. Which will you do?

QUICK CHECK:

1. a) What is red flag that you are heading for money problems? b) What percent of adults have loss of sleep due to money worry?
2. a) What are WANTS? b) What are NEEDS?
3. a) What does it mean to live paycheck to paycheck? b) What does Rule of Riches say? c) What percent needs to go into your savings?
4. Payday Loan: a) What do Payday Loans make people? b) How much will lender charge for \$100 for 14 days? c) What happens if you cannot pay in 14 days? d) How much does average Payday Loan user end up paying for \$300 loan?
5. a) Who tracks how well you handle money? b) What does FICO do with your credit history? c) What is the best FICO score? d) On what 3 things is your FICO score based?
6. Where does your FICO score follow you?
7. What auto loan percent will you get if you have: a) high FICO score? b) low FICO score?
8. How much more yearly does person pay with \$4,000 auto loan at 21% interest than at 4%?
9. What happens to renters with low FICO scores?
10. List 5 reasons why you get a low FICO score.
11. a) How does Collection Company try to make you pay? b) How long does it take to repair your FICO score? c) What must you do during the time you are repairing your FICO score?
12. How do you get your free credit report?
13. Why do you need to check your credit report?
14. Does your credit report give your FICO score?
15. List 3 ways to get your FICO score.
16. a) Beware of what 3 websites? b) In what do these websites enroll you?
17. a) List the 2 ways to get rich. b) Which way do you think is easier? c) Why?