

**Independent Living Program Activity Card**

**Category: HOUSING & MONEY  
MANAGEMENT**

**Activity: Learn About Credit and Get Your Credit Report**

**Description:**

**The objective of this assignment is to:** The objective of this assignment is to learn a little bit about credit, and learn how you can get a free copy of your credit score.

**How do I get credit for this assignment?**

- Read the information provided about credit.
- Get a copy of your credit report (freecreditscore.com, CreditKarma etc.) and turn it in.
- Complete the questions at the end of the assignment.
- Email the completed work along with this cover sheet to: Michelle Estrada at [mestrada@orangewoodfoundation.org](mailto:mestrada@orangewoodfoundation.org)

**You may earn up to \$15.00 ILP dollars for completing this assignment**

Total Dollars Earned:

\$
(ILP Use Only)

Notes:

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Date: \_\_\_\_\_

_____ Youth Signature	_____ Date of Birth
_____ Print Name (Youth)	_____ Group Home (If Applicable)

<i>Receipt</i>
(ILP Use Only)

## **How Credit Works**

### **Information**

A credit report includes information on where you live, how you pay your bills, and whether you've been sued or filed for bankruptcy. Nationwide consumer reporting companies sell the information in your report to creditors, insurers, employers, and other businesses that use it to evaluate your applications for credit, insurance, employment, or renting a home.

### **What are the disadvantages of making purchases with a credit card?**

1. The possibility of debt: The main risk of taking out a credit card is that you could put yourself in rising debt if you aren't able to pay back what you borrow. Credit card providers can charge high rates of interest because you have a poor or limited credit history (as you'll present a higher risk), or because the card offers certain extra features. Sometimes the interest rate can be over 20%, which builds up quickly if you don't pay the balance off
2. Your credit score: Letting your credit card debt build up, or missing payments, can influence your credit rating. The lower your credit rating the harder it will be to apply for credit in the future
3. Fees and charges: Credit cards can also come with fees and charges if you don't meet your repayments or you exceed your credit limit
4. Limited usage: You might be restricted in how and where you can use your credit card. For example, many will charge you for withdrawing cash or using the card abroad unless stated otherwise in the credit agreement

### **Importance of good credit**

There are many benefits to having good credit. Landlords are more likely to rent you an apartment, for example—and if you're job hunting, you might benefit if your employer reviews your credit as part of the hiring process. That said, the biggest benefits of good credit are all financial. Here are three ways in which good credit can make your life both easier and more affordable.

1. Easier Credit Approval
2. Lower Interest Rates
3. Better loan terms

### **How interest Rates Work**

The bank applies the interest rate to the total unpaid portion of your loan or credit card balance, and you must pay at least the interest in each compounding period. If not, your outstanding debt will increase even though you are making payments

## **Check Your Credit Report**

### **What information do I need to provide to get my free credit report?**

You need to provide your **name, address, Social Security number, and date of birth.** If you have moved in the last two years, you may have to provide your previous address. To maintain the security of your file, each nationwide consumer reporting company may ask you for some information that only you would know, like the amount of your monthly mortgage payment. Each company may ask you for different information because the information each has in your file may come from different sources.

### **Q: Why do I want a copy of my credit report?**

**A:** Your credit report has information that affects whether you can get a loan – and how much you will have to pay to borrow money.

### **You want a copy of your credit report to:**

- Make sure the information is accurate, complete, and up-to-date before you apply for a loan for a major purchase like a house or car, buy insurance, or apply for a job.
- Help guard against identity theft. That's when someone uses your personal information – like your name, your Social Security number, or your credit card number – to commit fraud. Identity thieves may use your information to open a new credit card account in your name. Then, when they don't pay the bills, the delinquent account is reported on your credit report. Inaccurate information like that could affect your ability to get credit, insurance, or even a job.
- **If you find any wrong information on your credit report, please call Legal Aid 714-571-5200.**

### **Q: How do I order my credit report?**

The three nationwide consumer reporting companies (EXPERIAN, EQUIFAX & TRANSUNION) have set up a central website, a toll-free telephone number, and a mailing address through which you can order your free annual report.

**Website:** [www.annualcreditreport.com](http://www.annualcreditreport.com)

**Phone Number:** 1-877-322-8228

How can using a credit card benefit you in life?


What is a disadvantage to using a credit card?


How would having good credit benefit you?
