

# CREDIT, DEBT AND LOANS

## What is Credit?

Money that a bank or business will allow a person to use and then pay back in the future. You can borrow and use credit via credit cards and loans.

## Three Major Credit Bureaus

There are three credit bureaus that report your credit score. They have their own unique metrics to determine the score, so typically you will have three different credit scores. The three bureaus are as follows:

- 1) Equifax
- 2) Experian
- 3) TransUnion

## Benefits of a High Credit Score

- 1) Favorable terms and interest rates.
- 2) Higher credit scores allow you to shop different lenders.
- 3) Credit scores can be checked by others: Landlords, Utility Co., Cell Phone Co., Potential employers



## How Credit Works

It's not free money. Every time you charge something, you're borrowing money until you pay it back later and you are charged interest. Interest is a charge for borrowed money (A percentage of the amount borrowed). Make sure to always check the rate of your APR. APR = Annual Percentage Rate (variable percentage calculated and charged to the borrower). The APR is your true interest rate. Your repayment of credit also affects your credit score and will stay on your credit report.





## Student Loan Statistics

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- Over 40 million Americans have student loans.
- Total U.S Student Debt= \$1.2 Trillion
- Avg Student debt for a 2015 grad= \$35,000
- Student debt up 500% since 2000.
- Average salary has decreased 10%.
- Average Williams student borrower debt: \$12,500

## Student Loans

When it comes to student loans, you should know your options. Federal vs. private and unsubsidized vs. subsidized loans. Federal loans are student loans given by the government. They are split into two categories, subsidized and unsubsidized. A Subsidized Direct Student Loan is a need based loan with a fixed interest rate of 4.29% The government also pays the interest of the loan while you are a student. The Unsubsidized Direct Student Loan is a non-need-based loan. The interest rate is the same as the subsidized loan but you must pay the interest of the loan while at school or it will be added to the principal of the loan.

Unfortunately, student loans don't disappear. They can't be included in bankruptcy. If you default on your Loan(No payments for 270 days)it can inhibit ones ability to gain employment. In some states default can cost you your license. Don't worry though! There are forgiveness programs for federal loans: Public Service Loan Forgiveness (10 years) Income-Based Forgiveness (20-25 years).

