

What You Should Know About Credit

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Types Of Credit

- Revolving Credit: Account that lets you repeatedly borrow a set amount of money and repay over time. An example would be credit cards.
- Installment Credit: Agreement to borrow a set amount of money and pay it off regularly. An example would be mortgages.

Credit Scores & Why They Matter

A credit score is a number anywhere from 300 - 850. This score is based on your credit history, payment history, debt, etc. In simple terms, this score is used by lenders to determine your creditworthiness and how likely it is that you will pay your bills regularly.

Below is the credit score range:

300 - 629 = Bad

630 - 689 = Fair

690 - 719 = Good

720 - 850 = Excellent

How To Improve Your Credit Score

- Check your credit score and report often
- Pay bills on time
- Earn credit by making phone and utility payments on time
- Pay off any debt
- Do not close unused credit cards
- Avoid applying for too much new credit

Credit Requirements

Title Transfer: process between seller and buyer, completing a transaction over property and property ownership, making the buyer the new legal owner.

Responsibility Limits: requires proving you can afford to pay for any damages you may cause from accidents.

Collateral: typically an asset that the borrower pledges to the lender so the lender has the ability foreclose on it to recover the amount of the loan.

Co-signing: Essentially the process of making a promise to help pay off someone's loan if they can't make the payments themselves.

Credit Laws

Truth-in-lending act: federal law that sets a standard for how much information is provided in an installment credit contract.

Fair credit reporting: governs how someone's credit information is collected and used.

Equal credit opportunity: prevents discrimination against people for things that are not finance related (race, gender, religion, etc.)

Fair debt collection: determines which third-party collectors can collect someone's debt.

SOURCES

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