

close to your credit limit, it is likely to have a negative effect on your score.

If you have applied for too many new accounts recently, it may also negatively affect your score.

A short credit history may have a negative effect on your score, but a short history can be offset by other factors, such as timely payments and low balances. Watch your credit report to make sure it is accurate.

CREDIT REPORTS



Your credit report has information about your credit score that affects whether you can get a loan — and how much

you will have to pay to borrow money. You will want a copy of your credit report to make sure the information is accurate, complete and up-to-date, especially before you apply for a loan for a major purchase or before you apply for a job. Your credit report can also help you guard against identity theft because you will be able to see if the information is accurate. Identity theft is when someone else is using your personal information.

Federal law requires each of the three nationwide companies to provide you with a free credit report once every twelve months. To order, visit annualcreditreport.com, call 1-877-322-8228, or complete the Annual Credit Report Request Form and mail it to: Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281.

There is only one website to get your official credit report; annualcreditreport.com. Avoid other sites that may make false claims.

HOURS

FARGO PUBLIC LIBRARY

102 3rd St. N. • Fargo
(701) 241.1472

Monday -Thursday 9-9
Friday 11-6
Saturday 9-6
Sunday 1-6*

**The Main Library is closed on Sundays from Memorial Day to Labor Day.*

DR. JAMES CARLSON LIBRARY

2801 32nd Ave. S. • Fargo
(701) 476.4040

Monday -Thursday 10-8
Friday 11-6
Saturday 9-6
Sunday 1-6*

**The Dr. James Carlson Library is closed on Sundays from Memorial Day to Labor Day.*

NORTHPORT BRANCH

2714 N. Broadway • Fargo
(701) 476.4026

Monday -Thursday 10-8
Friday 11-6
Saturday 9-6
Sunday Closed

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MONEY SMART



Start Smart: The Basics of Credit



CREDIT: THE BASICS

WHAT IS CREDIT?

Credit is your financial trustworthiness. Good credit means that your history of payments, employment and salary make you a good candidate for a loan. Creditors (those who lend money or services) will be more willing to work with you. Having good credit usually translates into lower payments and more ease in borrowing money.

Bad credit can be a big problem. It usually results from making payments late or borrowing too much money. It means that you might have trouble getting a car loan, a credit card, a place to live, and sometimes, a job.

WHAT IS A CREDIT CARD?



You can use a credit card to buy things and pay for them over time. But remember, buying with credit is a loan. You have to pay the money back. In addition to the cost of what you bought, you will owe a

percentage of what you spent (interest) and sometimes an annual fee.

HOW TO CHOOSE A CREDIT CARD

When you are choosing a credit card, there are many features, and several kinds of cards, to consider. Here are the most important terms to understand, or ask about, when you are choosing among credit card offers.

Credit Limit: This is the maximum amount that a credit card company will allow a card holder to borrow on a single card.

Balance: A credit card balance shows the amount you owe to the credit card company.

Fees: Most creditors charge a fee if you don't make a payment on time. Other common credit card fees include those for cash advances and going beyond your credit limit. Some credit cards charge a flat fee every month, whether you use your card or not. Fees may appear monthly, periodically, or as one-time charges, and can range from \$6 to \$150. Fees can have an immediate effect on your available credit. For example, a card with a \$250 credit limit and \$150 in fees leaves you with \$100 in available credit.

Interest: To repay a loan, a borrower has to pay interest, as well as the principal (the amount originally borrowed). Interest rates are expressed as percents per year. If the interest rate is 10 percent per year, and you borrow \$100 for one year, you have to repay the \$100 plus \$10 in interest.

APR (Annual Percentage Rate): The Annual Percentage Rate (usually called APR) is a measure of the cost of credit expressed as a yearly interest rate. Usually, the lower the APR, the better for you. Be sure to check the fine print to see if your offer has a time limit. Your APR could be much higher after the initial limited offer.

Grace Period: The grace period is the number of days you have to pay your bill in full without triggering a finance charge.

MINIMUM PAYMENT & COMPOUND INTEREST

The minimum payment on your credit card is calculated as a percentage of your total balance.

Compound interest is interest calculated, not only on the principal, or the amount originally borrowed, but also on the interest that has accrued, or built up, at the time of

the calculation. As an example, say you owe \$500 on your credit card and have a 15% interest rate. If you only pay a minimum payment of \$15 every month, it will take you 44 months to pay off that \$500 and you will pay \$150.87 in interest.

The minimum payment drops as your balance is paid off; but, thanks to compound interest, it can take a very long time to pay off your balance if you only pay the minimum payment every month.

WHAT IS A CREDIT SCORE?

A credit score is a number that helps lenders and others predict how likely you are to make your credit payments on time. Each score is based on the information available in your credit report. Credit scores affect whether you can get credit and what interest rates you pay for credit cards, auto loans, mortgages and other kinds of credit. For most kinds of credit scores, higher scores mean you are more likely to be approved and pay a lower interest rate on new credit.

Lenders look at your scores often. They look at your scores when deciding, for example, whether to change your interest rate or credit limit on a credit card, or whether to send you an offer through the mail. Having good credit scores makes your financial dealings a lot easier and can save you money in lower interest rates.

HOW TO IMPROVE YOUR CREDIT SCORE

Pay all of your bills on time. If you have paid bills late, have had an account referred to a collection agency, or have ever declared bankruptcy, this history will show up negatively in your credit score.

Lower your debt. Many scoring models compare the amount of debt you have with your credit limits. If the amount you owe is