Name:
Date:

Credit Crunch!

Instructions: Your mentor will read the scenarios list below out loud. As a group, you must decide if it would positively or negatively affect your credit score, and name at least one of the five areas of your credit score that it would affect.

1. You pay all of your credit card bills on time for a year.

   Positive or Negative? Circle One.

   Which portion of your credit would be affected? Why?

2. You pay off $2,000 of your student loans.

   Positive or Negative? Circle One.

   Which portion of your credit would be affected? Why?

3. You decide you need more credit cards and open 6 new credit cards all in one week.

   Positive or Negative? Circle One.

   Which portion of your credit would be affected? Why?

4. You take out a mortgage on a home.

Positive or Negative? Circle One.

Which portion of your credit would be affected? Why?

5. You miss a credit card payment.

Positive or Negative? Circle One.

Which portion of your credit would be affected? Why?

6. You pay the minimum on your credit card bill, but you carry a balance every month.

Positive or Negative? Circle One.

Which portion of your credit would be affected? Why?

7. You pay off your mortgage.

Positive or Negative? Circle One.

Which portion of your credit would be affected? Why?

8. You file bankruptcy.

Positive or Negative? Circle One.

Which portion of your credit would be affected? Why?

Glossary:

- 35%: Payment History
  - Do you have a history of paying your bills and your loans on time?
  - Any time you want to take out a loan, a lender will want to know whether you've paid past accounts on time.

- 30%: Amounts Owed
  - How much debt do you currently have? (How many loans do you currently have, and how much do you owe to all of the lenders?)
  - The lower the amount owed, the better!
  - This includes your credit card balance: If you are carrying a card balance and still owe the credit card company money each month, you will have a lower credit score.

- 15%: Length of History
  - How long have you been building credit?
  - In general, the longer your credit history, the higher your credit score will be.
  - This takes into account the age of your oldest account, the age of your newest account, and the average age of all of your accounts.

    - They will also look at how long it has been since you have used a certain account.

- 10%: New Debt
    - Have you taken on debt recently?
    - If you opened several credit accounts in a short period of time, it will hurt your credit score!

- 10%: Types of Debt
    - What types of debt do you have?
    - Examples: mix of credit cards, retail accounts, installment loans, finance company accounts, and mortgages.
    - The more varied, the better, but remember to only take on credit (i.e., take out a loan) when you absolutely need to.