

Tips:

Use credit wisely:

- Find out the final cost of an item. Add all payments and interest.
- Think about whether you can afford the payments if your income changes.
- Save first, for part or all the cost.
- Shop around to save money. Compare the APR (annual percentage rate), and pick the lowest one.
- Take a loan for the shortest time workable—making larger monthly payments saves money.

To check your credit history:

- Contact the credit reporting bureau(s) that serves your area. (Look in yellow pages under “credit reporting agencies.”)

For more information on using credit wisely, contact your local UW-Extension office.

Prepared by Carolyn Krueger and Laurie Boyce, Family Resource Management Specialists, University of Wisconsin-Extension. This



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Family Living Programs

CR01: Credit...Could I Get Some?

**Credit...
Could I get some?**



Credit is using a service or product
before you pay for it.

Afford Healthy Food Choices with DOLLAR SENSE

How can I get credit if I want it?

- You start to build a credit history whenever you use credit—including payment of utilities, phone and rent.
- Paying back on time, as agreed, helps build your record.
- Taking out a small secured loan or secured credit card from a bank, credit union, or savings and loan can get you started. Secured means you have the amount of the loan/card limit in your savings account.
- Lenders will look at a credit file and judge if you are a good risk.

Remember...

- Paying back debt costs money. You pay finance charges.
- Using credit means you get something now but you tie up money you earn in the future.

How Do I Know What Credit Costs?

There are three points to look at to find out what credit will cost:

- the rate – annual percentage rate
- the time – length of repayment
- the total cost

Look at these numbers to find your credit cost.

How does Annual Percentage Rate (APR) affect credit cost?

- Annual percentage rate (APR) is important. The higher the APR the more credit costs.
- The example below shows that a higher APR means a higher total cost.

<u>Repayment time period</u>	<u>12 mos.</u>	<u>12 mos.</u>
Amount Financed	\$500.00	\$500.00
Annual Percentage Rate	18%	28%
Monthly Payment	\$ 45.84	\$ 48.25
Finance Charge	\$ 50.08	\$ 79.00
Total To Be Repaid	\$550.08	\$579.00

How does time affect the cost of credit?

- When you have a longer time to pay on credit, the higher the cost.
- Compare how the time affects cost in the example below.

<u>Repayment time period</u>	<u>12 mos.</u>	<u>24 mos.</u>
Amount Financed	\$500.00	\$500.00
Annual Percentage Rate	18%	18%
Monthly Payment	\$ 45.84	\$ 24.96
Finance Charge	\$ 50.08	\$ 99.04
Total To Be Repaid	\$550.08	\$599.04

Don't shop for credit by just the amount of the monthly payment.