

IMPORTANT MESSAGES ABOUT CREDIT AND DEBT

- There are systematic forces that create credit, which sometimes lead to debt
- This evening, I'm going to share with you some powerful messages that will, hopefully impact the way you think about credit and debt
- Are you ready?

PILAYNE FRANKLIN, FINANCIAL COUNSELOR

IMPORTANT MESSAGES ABOUT CREDIT AND DEBT

Credit is what you apply for from a lender or creditor. It's money that they extend to you in good faith that you will pay it back.

It's what you get.

Debt is the obligation created when you get credit. It includes principal (what you borrowed) plus interest and fees.

It's what you owe.

PILAYNE FRANKLIN, FINANCIAL COUNSELOR

Professor Richard Wolf

- Economist
- Education (Yale, Stanford, Harvard)
- Professor (City College of New York, Yale, University of Massachusetts, The New School)

<https://www.youtube.com/watch?v=n30zO0ABFqc&t=6487s>



Key Takeaways

The system is designed this way

- Credit cards became available to masses of people in the 1970s (fee/interest-based revenue)
- Banks/Businesses realized the profit for them in raising interest rates from 6-7% to some over 30% (systematic)
- Access to credit allows people to experience the American Dream (fashion, vacation, education, cars, homes, etc.) (perception)
- Sometimes, the cost of participating in the dream is to go into debt (temptation)
- The best way to get us to buy what we cannot afford is through ADVERTISEMENT (manipulation)

HOW DO WE USE CREDIT STRATEGICALLY WHILE AVOIDING DEBT?

- Access free credit reports from www.annualcreditreport.com
- Keep balances below 30% of the credit limit
- Make payments on-time; use strategies to avoid late payments
- Open no more than 4 credit cards (Mastercard, Visa, Amex, Retail Card)
- Keep the older accounts open the longest
- Use credit to pay small bills
- Use credit to gain access to assets (homes, vehicles)
- When experiencing a financial hardship, communicate with creditors before the due date
- Work with a financial counselor to obtain tools, techniques and a support system

DEBT MANAGEMENT

- Communicate with creditors before the due dates
- Request/shop for lower interest rates, re-negotiate payment plans, and budget
- Reporting financial hardships
- Avoid debt settlement companies
- Avoid credit repair companies
- Under federal law, credit repair companies can't require you to pay until they've completed the services they've promised
- No one can legally remove negative information from a credit report that is accurate
- Beware of collection agencies (follow up next time)

DEBT MANAGEMENT

Working with a financial counselor

Balance Date: 9/20/22

Creditor Information Table

Row	Creditor	Balance	Rate	Payment	Custom	Interest-only
1	CHASE	5,000.00	27.00%	150.00		112.50
2	CITIBANK	2,000.00	28.00%	45.00		46.67
3						0.00
4						0.00
						0.00
1						0.00
2						0.00
3						0.00
4						0.00
5						0.00
Total:		7,000.00		Total: 195.00		

Monthly Payment 195.00 Too Low

Strategy: Snowball (Lowest | ▾)

Creditors in Chosen Order	Original Balance	Total Interest Paid	Months to Pay Off	Month Paid Off
CITIBANK	2,000.00	3,426.69	76	Jan-29
CHASE	5,000.00	4,345.85	63	Dec-27
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	

Total Interest Paid: 7,772.54 (Lower is Better)

UNTIL NEXT TIME

SEE YOU SOON