



**HARVARD UNIVERSITY  
EMPLOYEES CREDIT UNION**

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# Personal Money Management

**Why and How we spend money and potential  
impacts to personal credit.**

# Presentation Objectives

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- Understanding Your Financial Personality
- Personal Credit
  - Scores, impacts, tips, your questions.
- Money Saving Tips

# About the Credit Union

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- The Harvard University Employees Credit Union is a financial institution exclusively serving the students, alumni, faculty, and staff of Harvard University and the affiliated hospitals. Family members are also eligible.
- **Member Owned**
  - Every member is an equal shareholder
  - Volunteer Board of Directors elected by the membership
- **Safety and Stability**
  - Well capitalized
  - Federally insured by the National Credit Union Administration (NCUA)
- **Cooperative Model**
  - Member deposits used to fund loans for other members.
  - All earnings returned to the members in the form of better value and enhanced services.

# Learning to Handle Finances

## Harvard Student Survey

- Sources of consumer finance education;
  - Formal Program – 15%
  - **None – 41%**
  - Parents – 34%
  - Friends – 11%

- “Most people learn how to handle finances from their parents; but this is a problem because the world has changed since they were growing up.”

Elizabeth Warren –  
Harvard Law School Professor/Senator

- Self rating of knowledge of consumer finance topics:
  - Personal Budgeting: 65% - poor to average
  - Personal Credit: 95% - poor to average (27% poor)
  - Taxes & Insurance: 97% - poor to average (42% poor)
  - Investing: 95% - poor to average (59% poor)



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# What Do You Spend Money On?

- Taxes
- Food
  - Groceries, Dining Out, Booze
- Clothing
- Housing
  - Rent or mortgage payment, heat, electricity, water, phone, internet, insurance, cleaning supplies
- Transportation
  - Auto loan, gas, insurance, parking, T-pass, bike
- Entertainment
  - Games, movies, sports, cable, Netflix(and Chill), Hulu, etc., vacation, social gatherings
- Debt Payments
  - Student Loans, Credit Cards, Personal Loans
- Personal Care
  - Cosmetics/Hygiene products, hobbies, anything that you do or buy that makes you you



# Personality

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- Values – fundamental beliefs about what you regard as important
  - Family life, spiritual matters, personal health, education, public policy, employment
- Critical to understanding how you view money and use of credit
- Values serve as the basis for budgeting and setting your financial goals

# Advertising 101

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- In the store and beyond; online, in apps, social media, billboards, public transportation, magazines, newspapers, T.V...
- Leela: “Didn't you have ads in the 21st century?”
- Fry: “Well sure, but not in our dreams. Only on TV and radio, and in magazines, and movies, and at ball games... and on buses and milk cartons and t-shirts, and bananas and written on the sky. But not in dreams, no siree.”
- The purpose of advertising is to get us to buy.
  - Use emotional appeals and present certain images or lifestyles.
- You cannot avoid advertising (unfortunately) but you can separate the message from the true value of the product.

# Spending Choices

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- Consumer spending decisions are about 95% related to emotional needs.
  - “Retail Therapy” for example.
- Many factors impact consumer behavior.
  - Specific to each individual.
- Understanding why we buy what we buy can help us make smart decisions in the future.
  - Universal.



# Managing your Spending

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- Look at what you spend in a given month and be honest with yourself if it is sustainable.
- Prioritize spending
- Understand tradeoffs
- Live within your means
  - Reduce
  - Substitute
  - Postpone
  - Forgo
- Increase your income

# Managing Money

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*Generally speaking most people will spend more with a credit card than a debit card and more with debit than cash.*

# Signs of Financial Distress

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- When Your Credit Card Bill Arrives, You Can't Pay It In Full.
- Your Credit Card Usage Has Become a Necessity Rather Than a Convenience.
- Your Credit Card Debt Is Increasing, but You Only Pay the Minimum Payment Each Month.

# Credit Basics

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- Credit – Utilizing something now (e.g. education, car or home) and paying for it over a period of time.
- 3 C's of Credit
  - Character – How well do you honor your financial obligations
  - Capacity – How easy will it be for you to repay the debt
  - Collateral – Will the loan be secured by something

# Types of Credit

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- Unsecured Credit
  - Credit Cards, Personal Loans, Checking Overdraft, Student Loans
- Guaranteed Loans
  - Some Home Improvement Loans, Hardship Loans
- Secured Loans
  - Backed by pledge of investments, deposits, homes and vehicles
- *All extensions of credit must be legally disclosed by the lender*



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# Personal Credit Report

## Credit Character

# Who Reviews Your Credit?

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- Financial lenders
- Employers
- Landlords
- Automotive dealers
- Professional licensing boards
- Insurance companies



# Credit Bureau Companies

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- Company that collects financial information from various sources
- Data furnishers are typically creditors, lenders, utilities, debt collection agencies and the courts
- Provides credit information on individual consumers for a variety of uses
- Summarizes information and issues a credit score using proprietary algorithms.
  
- Three Major U.S.
  - Trans Union
  - Experian
  - Equifax



# What is on a Credit Report

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## ➤ Personal Information

- Names, current & previous addresses, employers, DOB, SSN.

## ➤ Credit Information

- Credit granted and history & timeliness of repayment, revolving, installment or open ended, payment patterns for past 7 years

## ➤ Public Record Information

- Records found on public documents: bankruptcies, tax liens, collection accounts, overdue child support

## ➤ Inquiries

- List of creditors and agencies who have requested your credit report



# What is Not on a Credit Report

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## ➤ Personal Information

- That you are a good person
- How much money you make

## ➤ Credit Information

- That you have a lot of credit card debt because you feel compelled to rehabilitate injured puppies
- If you went through an illness or layoff and had rough year or two and are trying to get back on track

# How long is information kept on a report?



Open accounts in good standing	Indefinitely
Closed accounts in good standing	10 years
Late or missed payments	7 years
Collection accounts	7 years
Civil judgments	7 years
Chapter 7 bankruptcy	10 years
Chapter 13 bankruptcy	7 years
Unpaid tax liens	10 years
Paid tax liens	7 years
Credit inquiries	2 years

# Getting Your Credit Report

- [www.Annualcreditreport.com](http://www.Annualcreditreport.com)
  - Receive a free copy of report from each of 3 bureaus.
  - Order report every 4 months to check for inaccuracies.
- Equifax – Atlanta, GA
  - (800)685-1111
- Experian (TRW) – Allen, TX
  - (800)Experian
- Trans Union – Springfield, PA
  - (800)888-4213



# www.annualcreditreport.com

Annual Credit Report.com - Home Page - Windows Internet Explorer provided by HUECU

https://www.annualcreditreport.com/index.action

Annual Credit Report.com

The only source for your free credit reports. Authorized by Federal law.

Home All about credit reports Request yours now! What to look for Protect your identity Frequently asked questions Contact us

Don't be fooled by look-alikes.

Lots of sites promise credit reports for free. AnnualCreditReport.com is the only official site explicitly directed by Federal law to provide them.

About AnnualCreditReport.com

PLAY SPOT IDENTITY THEFT GOOD CREDIT DON'T BE FOOLED MORE THAN A SCORE NOT LIKE THE OTHERS

**Your credit reports matter.**

- Credit reports may affect your mortgage rates, credit card approvals, apartment requests, or even your job application.
- Reviewing credit reports helps you catch signs of identity theft early.

Request your free credit reports

**FREE Credit Reports. Federal law allows you to:**

- Get a free copy of your credit report every 12 months from each credit reporting company.
- Ensure that the information on all of your credit reports is correct and up to date.

**BROUGHT TO YOU BY**

Experian

TransUnion.

EQUIFAX

https://www.annualcreditreport.com/

start Inbox - Murphy, Tom ... Annual Credit Report... Re: Graduate school ... Internet 100% 12:57 PM

# What Is Your Credit Score?

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- Forecast of how well you will repay a loan as agreed during the next 24 months
- Snapshot of your credit history at a particular point in time
- Only includes factors related to an individual's credit
- Always changing

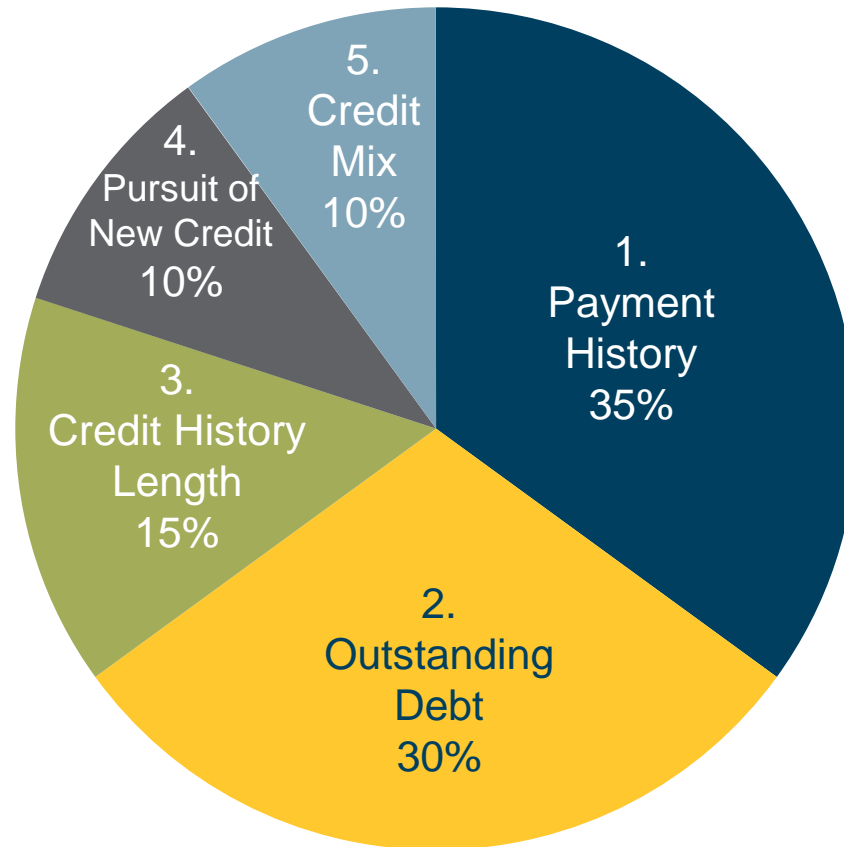
# Credit Score Ranges

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- FICO Scores range – 300 to 850
- Only 18% of population have a FICO Score of 800 or better
- 7% of population have scores below 500

# FICO Credit Score Factors

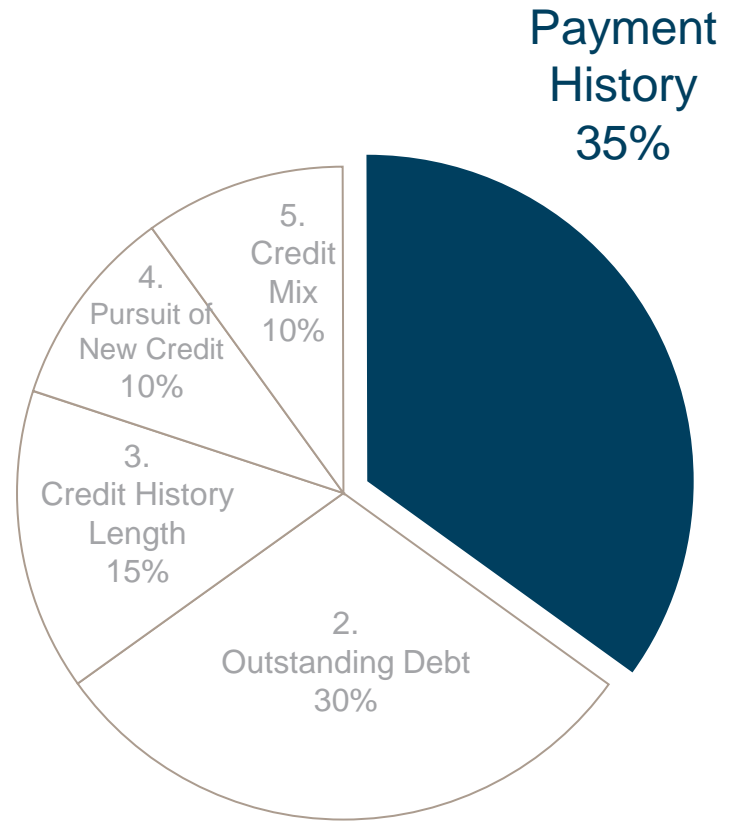
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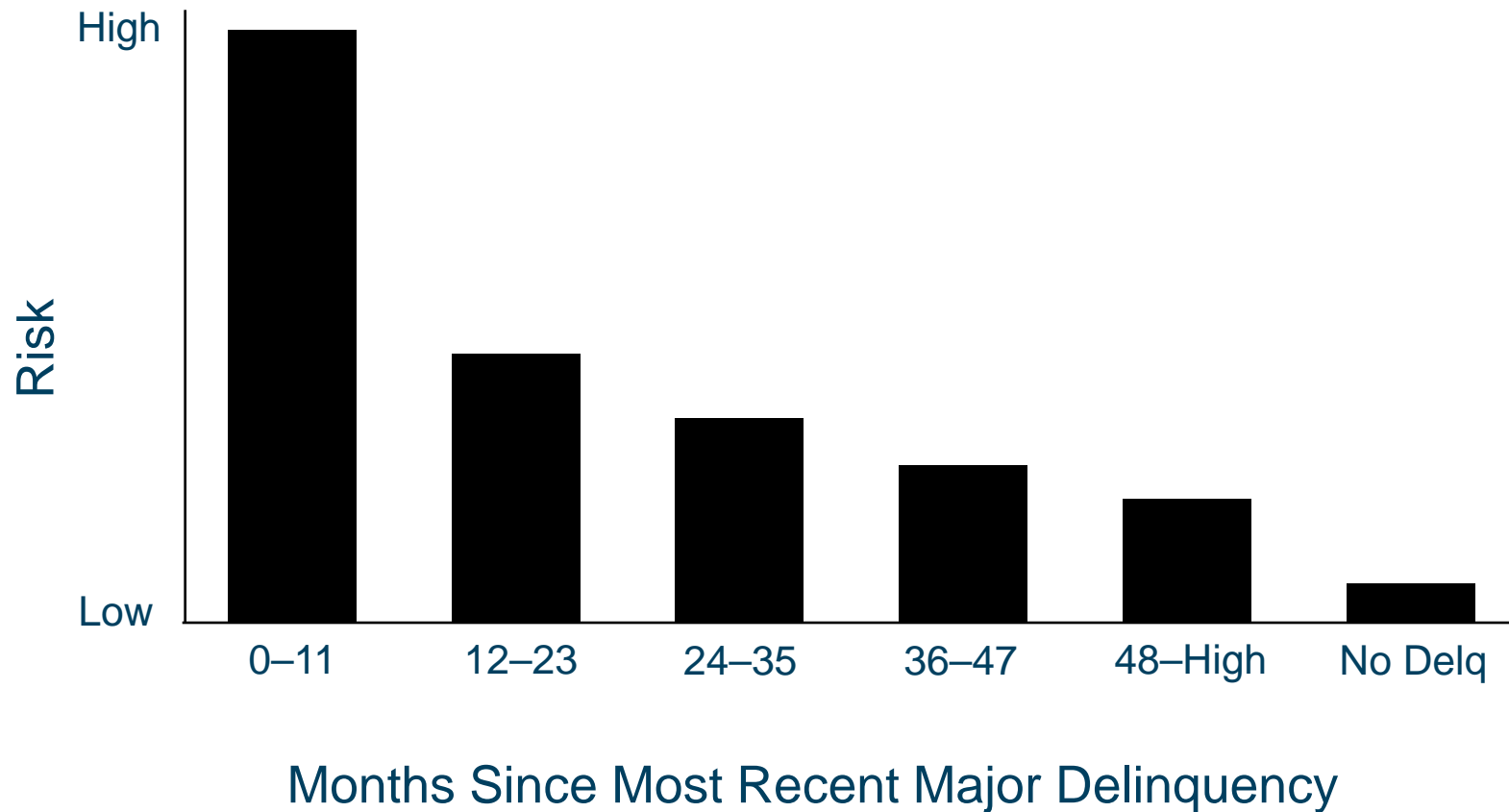
# 1. Payment History

- **Key Factors**
- How recent is the most recent delinquency, collection or public record item?
- How severe was the worst delinquency—30 days, 90 days?
- How many credit obligations have been delinquent?



# Payment History

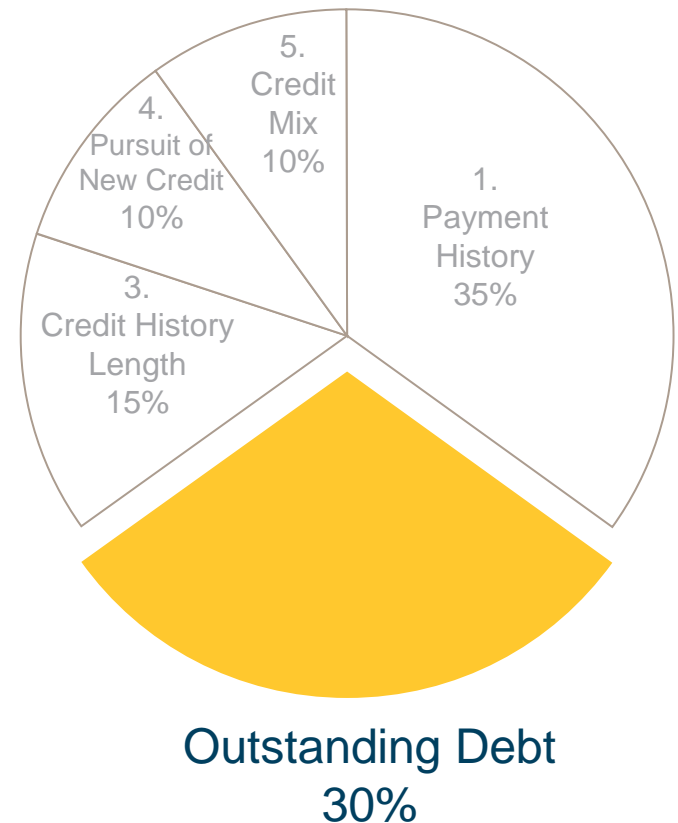
Example



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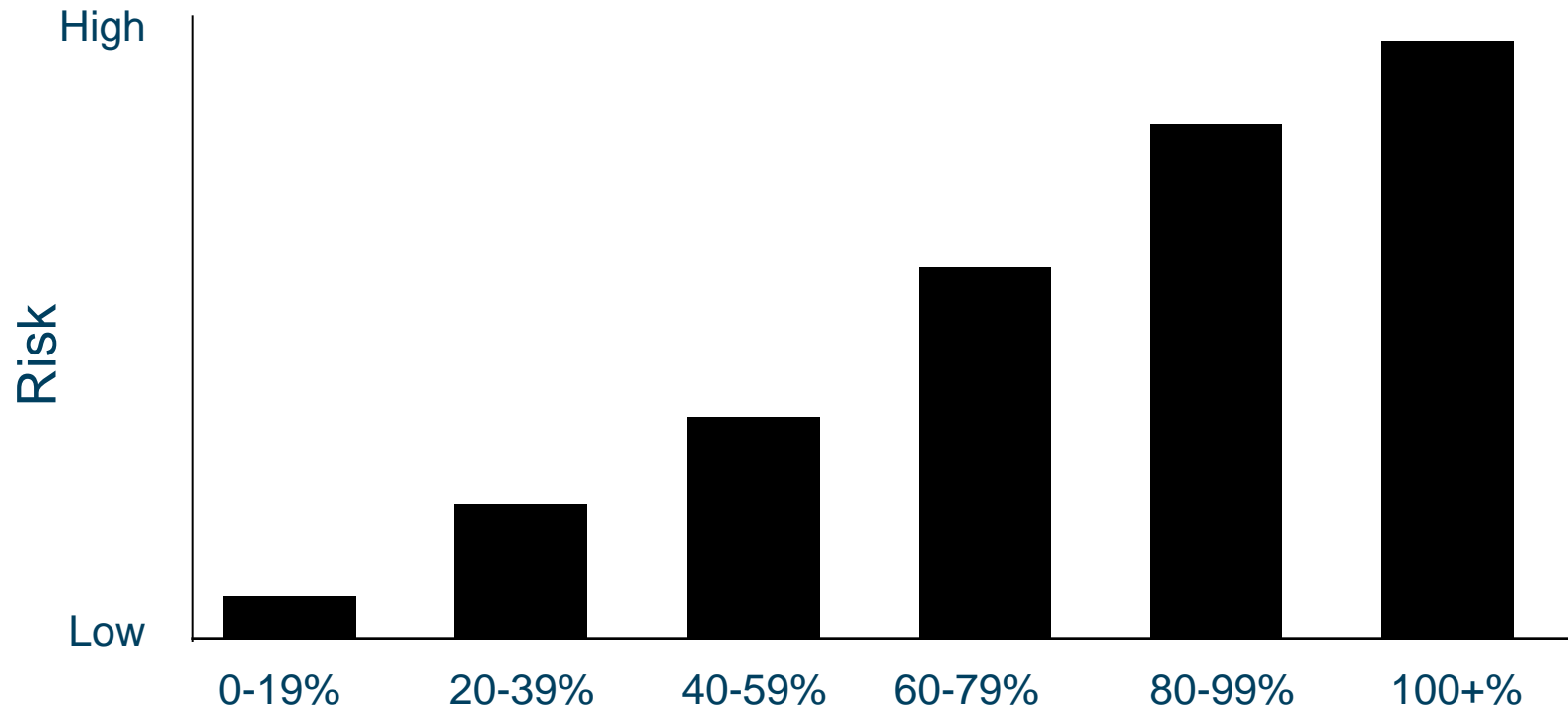
## 2. Outstanding Debt

- **Key Factors**
- How much does the consumer owe creditors?
- What percentage of available credit card limits is the consumer using?
- What percentage is outstanding on open installment loans?



# Outstanding Debt

Example



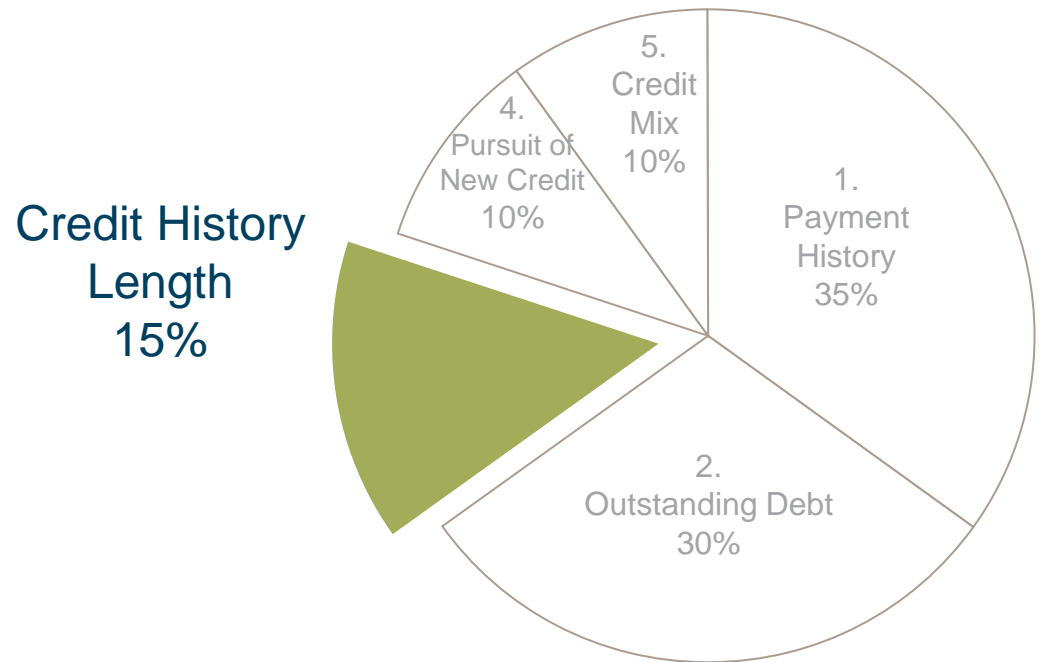
Ratio of Total Balances to  
Total Limits on Revolving Accounts



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# 3. Credit History Length

- **Key Factors**
- How long have accounts been established—average number of months accounts have been open
- New accounts—number of months since most recent account opening

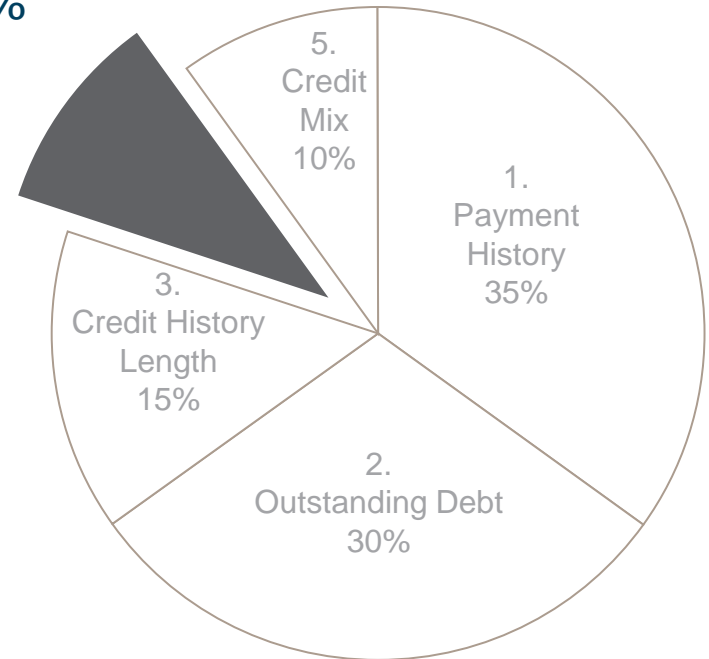


# 4. Pursuit of New Credit

## ➤ Key Factors

- Inquiries:  
Number of recent inquiries (12 months)
- New accounts—  
number of trade lines opened in last year

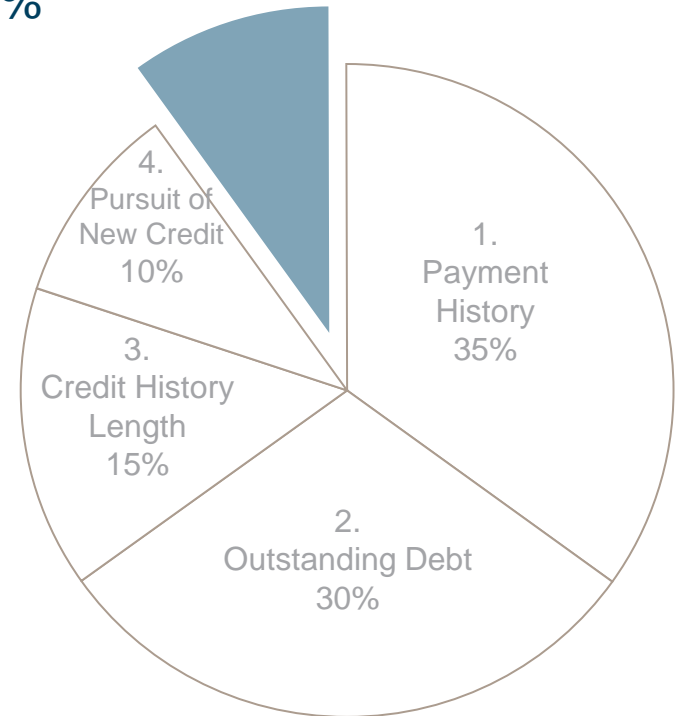
Pursuit of  
New Credit  
10%



# 5. Credit Mix

- **Key Factors**
- What is the mix of credit product types?
- Revolving credit—number of bankcard trade lines
- Installment credit—percent of trade lines that are installment loans

Credit Mix  
10%



# Summary

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- Payment History- Most Important; Missed payments are BAD
- Outstanding Debt – A function of your Income; the lower the better
- Credit History Length- A function of Time; the older the better
- Pursuit of New Credit- You shouldn't need to constantly seek credit
- Credit Mix- Can you manage a credit card or only fixed amount and term loans, are you only granted credit backed by an asset



# Credit Impact: Slow or late Payments

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- One 60 day delinquency can decrease a credit score by...
  - 50...
  - 75...
  - even 100 points!

# Credit Impact: Rates and Payments

<b>Credit Score</b>	<b>APR</b>	<b>Monthly Payment</b>
<b>720-850</b>	4.23%	\$741
<b>690-719</b>	5.68%	\$757
<b>660-689</b>	7.73%	\$780
<b>620-659</b>	11.29%	\$822
<b>590-619</b>	16.28%	\$882
<b>500-589</b>	17.71%	\$900
<b>&lt;500</b>	Not eligible	

Source: Myfico.com – 36 month car loan - \$25,000

# Poor Credit: Costs

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- Mortgage costs – extra \$200 to \$300 per month per \$100,000 borrowed
- Insurance costs, credit card costs, other borrowing - \$100's extra per month
- Pay extra for borrowing or pay yourself by planning for purchases and using savings.



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# Credit Card 101

# Statistics – Students & Credit Cards

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- Only 26% of college students surveyed nationally understand credit- card fees and interest
- 60% of college students surprised at how high their balance had reached
- 98% of student credit cards have an over-limit fee (not HUECU!)

# Credit Card Payment Behavior of Students

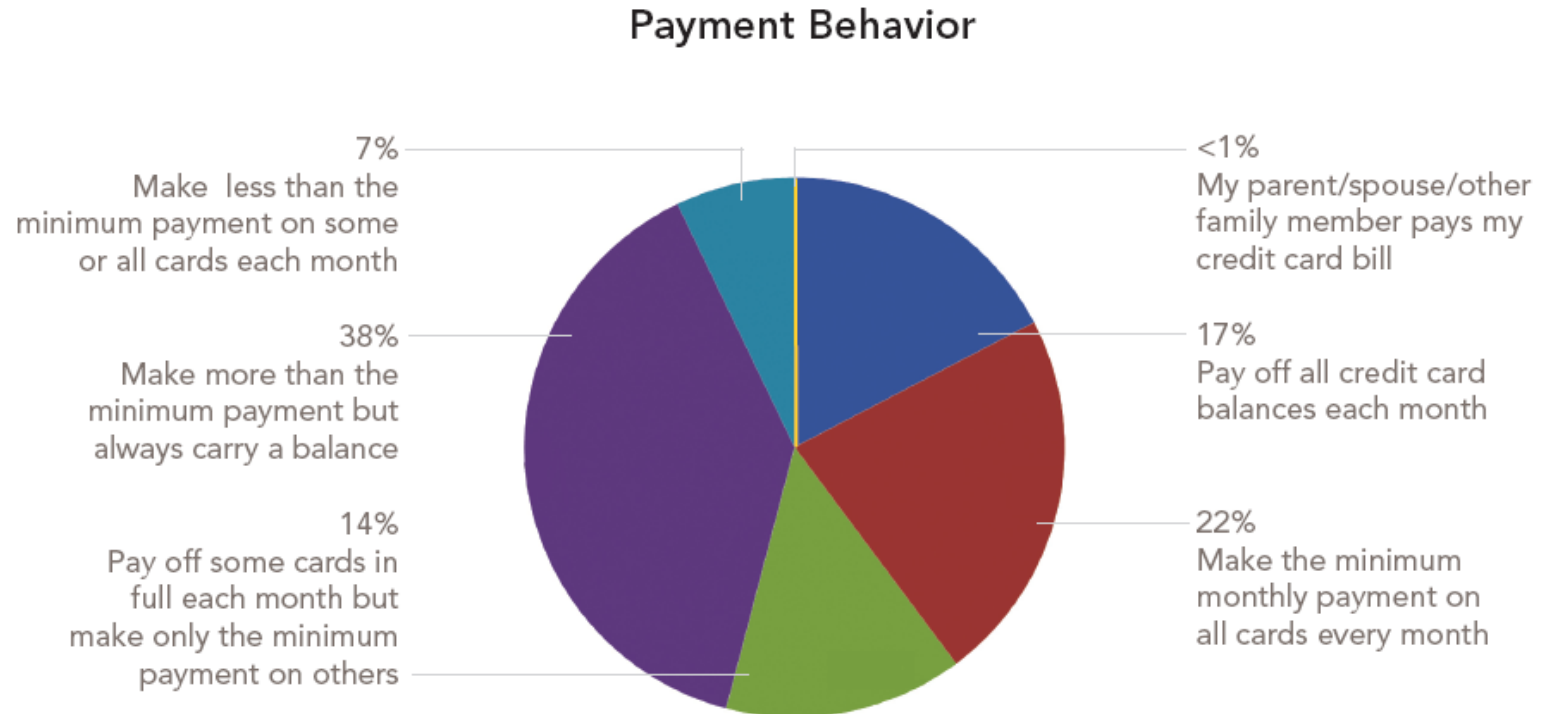


Figure 10: Percentage of students who say their credit card payment behavior most typically resembles that described; source: self-reported survey

# Types of Credit Cards

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- General; which covers cards with rewards, travel bonuses, cash back, and straight no frills.
- Limited purpose (store cards).
- Secured (Cash in an account determines limit).
- Others: Business, premium.

# Anatomy of a Credit Card

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- Introductory Rate
- Annual Percentage Rate
- Variable Rate
- Grace Period
- Cash Advance Fee
- Late Fee
- Over-the-Limit Fee
- Expedited Payment Fee
- Foreign Transaction Fee
- Annual Fee



# Having a Plan for Your Credit Card

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- Determine when and for what you will use the card for each month.
  - Small monthly charges paid in full may help your credit score.
- Treat yo self day while using a credit card that you can't pay off is a bad idea!

# Making Choices

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- Look a card's Terms & Conditions before applying.
- Weigh the benefit of rewards programs vs a lower interest rate with no rewards program.
- Understand that rewards will only benefit you if you pay off your full balance every month.

# Interest Rates

INTEREST RATES AND INTEREST CHARGES	
<b>Purchase Annual Percentage Rate (APR)</b>	<b>15.24%</b> . This APR will vary with the market based on the Prime Rate. <sup>a</sup>
<b>Balance Transfer APR</b>	<b>15.24%</b> . This APR will vary with the market based on the Prime Rate. <sup>a</sup>
<b>Cash Advance APR</b>	<b>19.24%</b> . This APR will vary with the market based on the Prime Rate. <sup>b</sup>
<b>Overdraft Advance APR</b>	<b>19.24%</b> . This APR will vary with the market based on the Prime Rate. <sup>b</sup>
<b>Penalty APR and When It Applies</b>	<p><b>29.99%</b>. This APR will vary with the market based on the Prime Rate.<sup>c</sup></p> <p>The Penalty APR will be applicable to your Account if you:</p> <ul style="list-style-type: none"> <li>• fail to make any Minimum Payment by the date and time due (late payment);</li> <li>• make a payment to us that is returned unpaid; or</li> <li>• do any of the above or exceed your credit limit on another account or loan you have with us or any of our related banks.</li> </ul> <p><b>How Long Will the Penalty APR Apply:</b> If your APRs are increased for any of these reasons, the Penalty APR will apply indefinitely.</p>
<b>How to Avoid Paying Interest on Purchases</b>	Your due date will be a minimum of 21 days after the close of each billing cycle. We will not charge you periodic interest on purchases if you pay your entire balance by the due date each month. We will begin charging interest on balance transfers, cash advances, and overdraft advances on the transaction date.
<b>Minimum Interest Charge</b>	If you are charged periodic interest, the charge will be no less than \$1.50.
<b>Credit Card Tips from the Federal Reserve Board</b>	To learn more about factors to consider when applying for or using a credit card, visit the website of the Federal Reserve Board at <a href="http://www.federalreserve.gov/creditcard">http://www.federalreserve.gov/creditcard</a> .



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# Fees

FEES	
<b>Annual Membership Fee</b>	<b>None</b>
<b>Transaction fees</b>	
Balance Transfers	Either <b>\$5</b> or <b>3%</b> of the amount of each transfer, whichever is greater.
Cash Advances	Either <b>\$10</b> or <b>3%</b> of the amount of each transaction, whichever is greater.
Foreign Transactions	<b>3%</b> of each transaction in U.S. dollars.
<b>Penalty Fees</b>	
Late Payment	Up to <b>\$15</b> if the balance is less than \$100; up to <b>\$25</b> if the balance is \$100 to less than \$250; up to <b>\$35</b> if the balance is \$250 or more.
Return Payment	Up to <b>\$35</b> .
Return Check	Up to <b>\$35</b> .



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# Cost of a Credit Card's Minimum Payment

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- \$2,000 balance: assuming no new spending, an 18% interest rate and a minimum payment of \$50
  - It will take you 15 years and 1 month to pay off your debt.
  - In that time, you will pay \$2,423.22 in interest, so you will have paid more in interest than you have spent on goods + services.
- Add \$50 to your payment, \$100 total
  - It will take you 2 years to pay off your debt.
  - In that time, you will pay \$395.65 in interest.



# Give yourself the 4th degree

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➤ Needs vs. Wants / Ask yourself the following.

1. Do I really need it?
2. Do I have to have it today?
3. What will happen if I don't buy it now?
4. Why have I gotten along without it until now?

# Success in Savings

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- Having a Plan
    - A budget and larger life goals
    - Belief in the future
  - Disciplined approach to meeting objectives
    - An indomitable will and self control
  - Seeing Progress/Results
- 
- What helps you the most in making progress toward your financial goals?

# Real Life Saving Tips

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- Start with Goal –
  - Saving \$50/month or about \$2 per day
- Start with groceries, dining out, clothes, cosmetics, household items, transportation.
- Example – Groceries/ Household Items
  - Keep away from convenience stores
  - Shop with and stick to a list
  - Eat before you go grocery shopping
  - Avoid buying items from the middle shelves
  - Never buy non-food items at a grocery store
  - Purchase store brands vs. name brands



# The Impact of Small Purchases

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- Coffee at \$2.50 a cup 7 times a week= **\$910 per year**
- Lunch at \$10 a meal 3 times a week = **\$1,560 per year**
- Dinner at \$25 a meal 2 times a week = **\$2,600 per year**
  
- Total for full year - **\$5,070!**
  
- Is it worth it? What else could you have done with \$5,000?

# Your Personal Credit; its on you!

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- Pay your bills on time.
  - Missed or late payments have a high, negative impact.
- Check your credit report for accuracy.
  - Address anything you believe to be in error.
- Payoff debt, rather than transferring it around.
- Don't get a credit card if you don't need it or think you need it too much.
- Utilize Balance Counseling

# HUECU's BALANCE Counseling

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- BALANCE is a financial education and counseling service available as a benefit of the Harvard University Employees Credit Union
- Money management counseling
  - Personal budget development
  - Debt repayment options
  - Credit report review
  - 888-456-2227 - Harvard University CU Referral; Have to be a Member to take advantage.

# Contact Information

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- HUECU.org
- (617) 495-4460
- HUECU\_LOAN\_SERVICES@harvard.edu

Thank you for attending!