



# Learning About Credit and Debt

## A Financial EZ-Reader



**Department of  
Developmental  
Disabilities**



**Altarum**



**LifeCourse Nexus**

Training and Technical Assistance Center  
UMKC Institute for Human Development • UCEDD



[jobguide.ohioemploymentfirst.org](http://jobguide.ohioemploymentfirst.org)

## What Is This?

This is one in a series of 6 booklets. They are meant to help you learn about financial things.

This EZ-Reader, **Learning About Credit and Debt**, is to help you learn what using credit and debt mean. This booklet will help you learn about what it means to use credit cards or get loans, and paying that money back. It is meant to help you make good choices about getting into debt.

You will see that there is a lot of open space throughout the booklet. Feel free to write notes on it if you wish.

## How to Use the EZ-Reader



EZ-Readers use words and pictures to help you understand what you need to know.



You might be able to read this booklet by yourself.



You can also ask someone to read it with you.

# Credit



Credit means borrowing money to buy things.



Credit means buying things now with a promise to pay in the future.



Credit means buying things you might not have enough money for right now.

## Paying for Credit



You must pay back the money you borrowed or spend using credit.



You should think about how you will pay the money back before you use credit.



It is important to pay credit back as quickly as you can.

## Are There Extra Costs?



Interest is an extra cost you pay when borrowing money using credit.



Interest is the cost of borrowing money from banks or credit card companies.



Interest is a rate or percentage based on how much money you borrow.

## More About Interest



Interest rates on credit cards can be very high.



Interest is added to the amount you borrowed.



Quickly paying back the money you owe means you will pay less interest.

## Late Fees



It is important to make credit payments on time.



A late fee is charged if you make late credit payments or skip payments.



A late fee is a penalty for not making credit payments on time.



# Credit Score



Credit score is a number that grades you on how well you pay back what you owe.



Your credit score can change at any time.



Your credit score changes because of how you use credit.

# What Makes My Credit Score Change?



Your credit score changes when you pay off debt or take on new debt.



Your credit score number goes up if you pay your bills on time.



Your credit score number goes down if you miss payments or do not pay your bills.

## Who Has a Credit Score?



Everyone has a credit score if they have had a loan or credit card.



Your credit score will be checked when you apply for credit.



A good credit score will help you get a loan or credit card.

# Credit History



Credit history is record of how debt and money is handled.



Credit history will show your loans and credit cards you are using.



A bank or business will look at your credit history when you apply for a loan or credit.

## What Is Debt?



Debt is an amount of money you owe to a person, bank or business.



You must pay back the debt you owe.



You might have to give back what you bought with credit if you do not pay your debt.

## Types of Debt



Some debt you choose.



You can choose to take out a student loan or a car loan.



You can choose to buy things with a credit card.

## Unexpected Debt



Some debt is unexpected. This can be hard to plan ahead for.



Unexpected debt could be needing a loan or using a credit card to pay for a home repair.



Unexpected debt could be from getting sick and being in the hospital.

## Paying Back Debt



It is helpful to plan how to pay back your debt.



You should plan on making payments on your debt just like your other bills.



The longer it takes you to pay off debt, the more you may end up paying.



## How Much Should I Pay?



You pay the same amount each month with loan debt.



You can add extra money to your payments.



This will help pay your loan and get out of debt faster.

## How Much Should I Pay?



For credit cards, there is a minimum amount you must pay each month.



The minimum amount means you pay at least that much or get a late fee added to your debt.



The minimum amount can change based on how much you still owe.

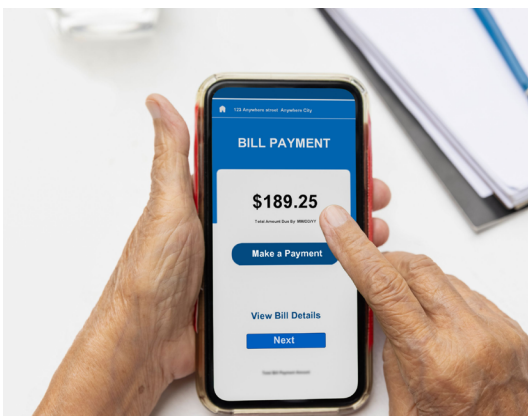
# Minimum Payments



Only paying the minimum payment will take a long time to pay your debt.



Interest will be charged to your credit card when you only pay the minimum payment.



Paying more than the minimum payment will pay off your debt faster.

# Debt Collection



Your debt may be sent to collections if you get behind on making payments.



Having your debt in collections means a debt collector will work to get you to pay.



If your debt is in collections, your credit score will go down, and it will be harder to get credit in the future.

## Reminders



1. Be careful with how much debt you have.



2. It is important to make payments on time.



3. Pay off dept as quickly as you can.

## Resources

***Video: Credit Scores and Reports 101***

<https://www.youtube.com/watch?v=71iaNlskCc0>

***Video: Loans 101***

<https://www.youtube.com/watch?v=fuiiJuB7tJs>

***Understanding Credit Cards***

<https://onestop.uc.edu/money/credit-cards.html>

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