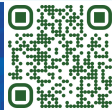


**HEY BOSTON!  
LET'S TALK  
ABOUT CREDIT.**



watch here



Episode 1 Video Guidebook

# CREDIT BASICS

Presented by  
Boston Builds Credit

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# Key Concepts

In this episode we will cover:

- Credit
- Lenders
- Interest
- Credit Scores

# What is Credit?

**Credit can be loosely defined as the ability to borrow money for goods and services from an institution or creditor, with the understanding or agreement that you will pay the borrowed amount at a later date.**



# Types of Credit

Credit can come in the form (but is not limited to)

- **Loans (Auto, Student, Personal, Mortgage)**
- **Credit Cards**
- **Lines of Credit**

**Note: Debit cards do not impact credit. Debit transactions are drawn from money that the account owners deposit**

# Lenders

**A lender is an individual, a group (public or private), or a financial institution that makes funds available to a person or business with the expectation that the funds will be repaid. (Investopedia)**





# Types of Lenders

(not limited to)

- **Mortgage Providers**
  - **Auto Loan Providers**
  - **Credit Card Companies**
  - **Merchants that partner w/ CC Companies**
  - **Banks**
- 

# Interest

**Lenders provide customers with access to funds for goods and services with the expectation that these funds will be paid within a specified amount of time. An added cost rate (fixed or variable) is applied to the initial amount borrowed**

**which is called interest or the interest rate. This makes lending worthwhile to these financial institutions.**





# Credit Score

A credit score is a calculation of the overall borrowing and repayment activity of a borrower over time. This calculation places a numerical value on a borrower's credit activity to indicate how responsible the borrower is at repaying the lent amount. Credit scores are essentially used to measure the risk of lending to a potential borrower.





# Credit Score Ranges

**Scores can range between 300-850, with lower scores being considered subprime credit and the higher scores being considered prime.**

## Various Scores?

Credit bureaus use third party professional reporting services to look at credit scores. Vantage & FICO are two services that the credit bureaus use. FICO is the most widely used credit scoring service.

# FICO or VANTAGE?





# **Credit Score Factors**

- **Credit History**
- **Borrowing & Payment Record**
- **Length of Time of Accounts**
- **Amounts Owed**
- **Types of Credit**



# Credit Scores

The higher the credit score a borrower has, the more likely they are to receive better interest rates, access to better loan terms, and more borrowing power. Length of borrowing history may affect this.

Individuals with lower scores may be subject to higher interest rates, lower borrowing power, and denials of credit applications.

Credit scores can be improved over time with on time payments, lower credit utilization, and limiting hard credit inquiries.

# Summary

- **Credit can be loosely defined as the ability to borrow money for goods and services from an institution or creditor, with the understanding or agreement that you will pay the borrowed amount at a later date.**
- **A lender is an individual, a group (public or private), or a financial institution that makes funds available to a person or business with the expectation that the funds will be repaid. (Investopedia)**
- **A credit score is a calculation of the overall borrowing repayment activity of a borrower over time.**
- **An added cost rate (fixed or variable) is applied to the initial amount borrowed which is called interest or the interest rate.**
- **Credit Scores can range between 300-850, with lower scores being considered subprime credit and higher scores being considered prime.**
- **Credit scores can be improved over time with on time payments, lower credit utilization, and limiting hard credit inquiries.**





# Thank You

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