

# BORROW SMART

PRESENTED BY:

## FAQS

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### When should I borrow to buy something?

It often makes sense to borrow only for something expensive that can help you make money (like an education) or something that lasts a long time (like a house or a car). Borrowing for "wants" like vacations and eating out can become expensive.

### Can underage applicants get credit?

Yes, but there are restrictions under the law (Credit CARD Act). For example, with credit cards, lenders can only lend to people under 21 if they are able to repay the loan or have someone co-sign on the loan.

### How does my credit score affect the interest rate on my loan?

Interest rates depend on three factors: your creditworthiness (credit score), current market interest rates, and how well a lender's loan portfolio is performing. Usually, the lower your credit score, the more you'll pay in interest.

### How does a poor credit history hurt me?

A poor credit history means that you'll have a harder time getting a loan, and in some cases it may even affect being able to get a job. It also means that you'll probably pay a higher interest rate. You may even pay more for insurance and rent, or have trouble renting an apartment.

### What are some common signs of debt problems?

You may have a debt problem if you are more than one month behind on one or more debts, more than 60 days behind on a single debt, you've borrowed money to pay other loans, you are getting calls from lenders, or you are borrowing (or using a credit card) to pay for daily living needs.

### If I'm in financial trouble, what should I do?

First, look at your cash flow statement. Decide which costs you can reduce, and use the money in those areas to repay the debt.

If you don't have enough money to repay your debt, it's important to contact your lenders directly and see if they can help you by lowering your interest charges, or giving you more time to repay the loan. Your lender should be able to help you with your debt or refer you to someone who can.

### How do I use the Step Down Spending Method?

- 1) List all the areas you spend money on, including food, housing, clothes, entertainment, etc.
- 2) Add up how much money you spend in each area.
- 3) List at least four ways you can reduce your spending in each area, and then start using the new spending approach.

### Should I pay back all my loans before saving money?

In most cases, no. It's important to save for the future at the same time you are repaying your loans. Having money in the bank may help you take care of short term emergencies without borrowing.

