



Good Credit

“Remember that credit is money.”

—Benjamin Franklin,
American politician and inventor

It's almost impossible to go through life without borrowing money. Whether it's something as basic as using a credit card or a more complex situation like a home mortgage or a small business loan, our economic system revolves around borrowing. And to borrow successfully, you need to have good credit. By completing this badge, you will know what it takes to keep good credit and borrow money smartly, including how to pay back what you owe in time — skills that will help you throughout life.

Steps

1. Get the scoop on credit scores
2. Find out how bank loans work
3. Learn the ins and outs of credit cards
4. Gather real-life borrowing stories
5. Write your own credit commitment

Purpose

When I've earned this badge, I'll know more about ways to borrow money and understand the importance of establishing good credit.

Every step has three choices. Do ONE choice to complete each step. Inspired? Do more!

STEP 1 Get the scoop on credit scores

Your credit score is like a report card on your financial history. But instead of getting grades like A, B, and C, your credit score is a three-digit number. Anything above 700 is recognized as very good, while scores below 500 are considered subpar. Your credit score helps lenders evaluate your ability to pay back what you owe. That means maintaining a good credit score will make it easier for you to apply for credit cards, receive loans (student, car, home, etc.), and rent an apartment at some point in the future. Your goal in this step is to find out what information is used to determine a credit score and what can make a score go up or down.

CHOICES – DO ONE:

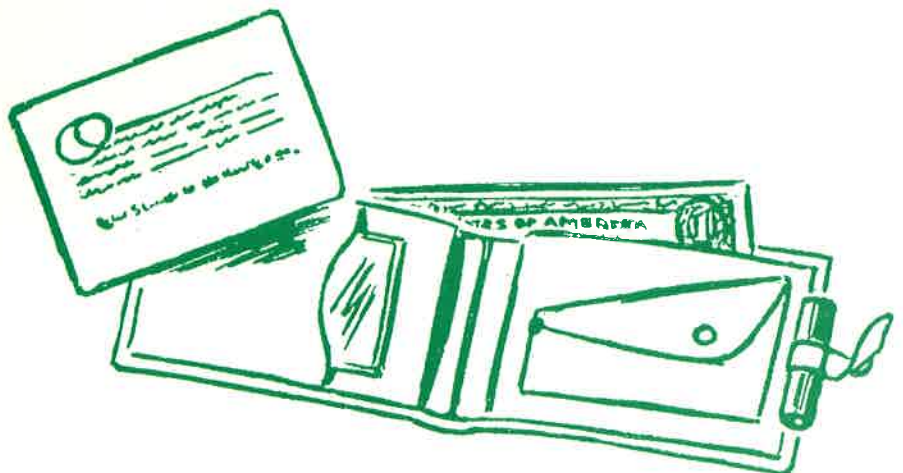
- Do your own research.** There's a wealth of information on credit scores available online and at your local library. The hard part is being able to sort through all the information to find the important bits. Spend at least two hours reading up on credit scores in order to write two explanatory paragraphs: one on where credit scores come from and the other on keys to keeping a good score.

OR

- Invite an expert speaker.** A banker, financial planner, or credit bureau representative would be ideal to speak to your Girl Scout group about credit scores and what they mean. Ask the presenter to explain in detail how not having a credit card can impact your credit score and how having a low score can hurt your chances of getting future credit, loans, and mortgages.

OR

- Go on a field trip.** Set up an appointment at a bank or local credit bureau to meet with an expert where they work. Ask them to walk you through the process of checking on credit scores, along with explaining how a low score can hurt your chances of getting future credit, loans, and mortgages.



STEP 2 Find out how bank loans work

People rarely purchase a home or a new car with cash. Instead, they get a bank or another financial institution to loan them the money to pay for it and then pay back the lender a small chunk at a time each month. Likewise, many students take out loans to help pay for their college education, then pay the loan back after they graduate and find a job. In this step, you'll research the ins and outs of getting one of these kinds of loans.

CHOICES - DO ONE:

- Learn about student loans.** Search online, talk to your school's guidance counselor, or interview a financial aid officer at a college to find out about different types of student loans, as well as how and when you're expected to pay the loan back after graduation.

OR

- Learn about home loans.** Home loans, also called home mortgages, are often the biggest loan a person will ever take out. Indeed, the most common type of home loan takes 30 years to pay off. Ask family members if they know a home loan officer that you could speak with about home loans. Be sure to ask about down payment requirements, as well as how interest rates can change based on both the type of loan and length of the loan in years.

OR

- Learn about car loans.** Make an appointment to speak with a finance official at a local car dealership, either in person or by phone. Ask them to explain the different kind of loans offered for both new and used cars; how interest rates vary; and how a lower interest rate saves you money compared to a high interest rate.



STEP

3

Learn the ins and outs of credit cards

Credit cards are the most common way people borrow money. Credit cards are also a very helpful tool in life. Like any other tool, however, you need to know how to use one properly to get the most out of it. When paying with a credit card, you are essentially borrowing money from a credit card lender. You are then expected to pay back the credit card company in a set amount of time. And if you don't pay the full amount you owe, you must pay interest (the cost of borrowing money) on the remaining balance. Fill in the credit card worksheet on the next page in order to compare credit card offers as you complete this step.

CHOICES – DO ONE:

- Study credit card offers.** Find at least three credit card offers in the mail, in stores, or in banks. Read the offers to learn what is needed to apply for each card and use them to complete the worksheet. Then rank each offer for the best deal and discuss your choices with friends or family.

OR

- Speak with banks.** Locate two banks and/or credit unions in your community. Set up phone interviews with banking associates at each to discuss the steps involved in applying for a credit card. Prepare a list of questions that will answer all the columns in the credit card worksheet.

FOR MORE FUN: If you're interested in a career in banking, this is a great opportunity to do some networking as well.

OR

- Go online.** Explore the online sites of at least three banks or credit unions. Compile information on the various credit card offers you find and complete the worksheet. Then rank each offer for the best deal and discuss your choices with friends or family.



Key Credit Terms

Interest: A charge for borrowing money, most often based on a percentage of the amount owed.

Fixed interest rate: When the interest you are charged on borrowed money remains consistent.

Variable interest rate: When the interest you are charged on borrowed money changes based on outside influences.

APR: This stands for annual percentage rate. With credit cards, APR is the amount of interest a cardholder pays in a year in addition to the regular balance. It's important to note that an APR can be fixed or variable.

Credit limit: The maximum amount of money you are allowed to borrow.

Grace period: The time between your purchase and the point when you start having to pay interest on the amount you borrowed.

Minimum payment: Credit cards typically demand you pay a minimum amount of money on what you owe each month. Remember, though, you will be charged interest on the amount of money you don't pay.

Annual fee: Many credit cards, particular those that offer rewards like airline miles, charge an annual fee to use the card. This is important to pay attention to, as the fee can actually be more than any rewards you might be able to use.

Credit Card Worksheet

You may have noticed that credit card offers make up a large part of your family's "junk mail." The letters that come with these offers make them all sound like great deals—but not all credit cards are the same. You can learn how to pull the most important information out of a credit card offer to decide which one makes the most sense for your needs.

Use this worksheet to compare three credit card offers. Pay special attention to the APR, or annual percentage rate.

The APR is the yearly rate of interest paid on a credit card.



Name of Bank or Store Offering Card	Our Town Bank			
Initial APR Interest Rate	18%			
APR After Making a Purchase	25%			
Annual Fee? Y/N	Yes			
Rewards? Y/N	Yes			
Late Payment Fee	\$25.00			
Credit Limit	\$1000.00			
Minimum Finance Charge	\$1.50			
Cash advance fee	\$10.00			
Grace Period	25 days			
Special offers	No			

STEP 4 Gather real-life borrowing stories

By this point, you know enough to have a knowledgeable conversation on the topics of borrowing and credit. It's time to dig deeper into these important financial subjects by learning from the experiences—both good and bad—of others.

CHOICES – DO ONE:

- Interview an expert.** Talk to a financial adviser or credit counselor about common financial mistakes people make when it comes to borrowing. Be sure to get their recommendations on any magazines, books, or websites where you can get more in-depth information.

OR

- Study relevant stories.** Find at least three magazine or newspaper articles dealing with individuals who made bad financial decisions that will seriously damage their credit. Discuss what you learned from each story with friends or family.

OR

- Interview someone who has had a loan.** Talk to an adult who has experience with both getting and paying back loans. Ask for advice and tips on borrowing. Find out if they would have done anything differently, and if so, why?

NOTES

FOR MY CREDIT COMMITMENT:



STEP 5 Write your own credit commitment

Take everything you've learned so far and create your credit commitment. Make sure it includes at least three personal guidelines for how or when you will borrow money in the future. Whenever you think about borrowing money in years to come, you'll be able to refer to your code for guidance.

CHOICES – DO ONE:

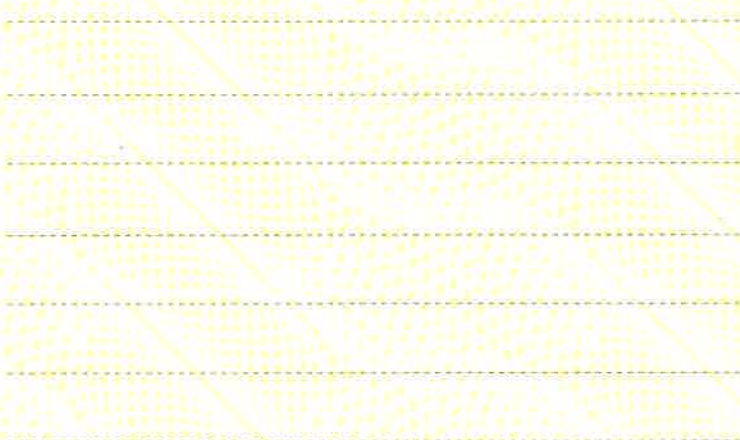
Talk to your family. Write a first draft of your credit commitment and present it to your family. Explain each commitment in detail, and give everyone present a chance to discuss their feelings. Once the family conversation is over, revisit your credit commitment to create a final draft.

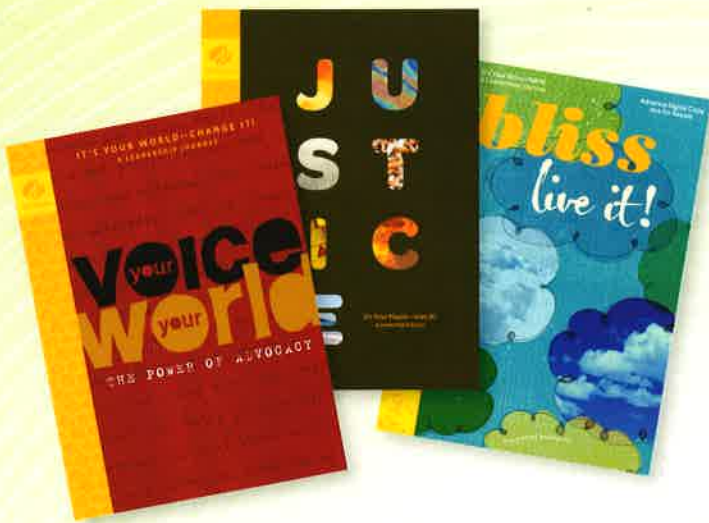
OR

Talk with a friend. Team up with a Girl Scout friend and work on creating a credit commitment that you both believe in. Use your notes to put together a list of key commitments, and then take turns writing these commitments in clear and concise sentences.

OR

Talk with an expert. Ask older family members or an adult you admire if they know of any reputable financial advisers. If so, set up an information meeting with this expert to review your credit commitment. Ask for feedback on the commitment and any special tips to help you follow it.





Add the Badge to Your Journeys

When your network offers help along your Journey, you might consider that a kind of “helping hand” loan. How can you “pay” others back for their aid? Graciousness, thank-yous, symbols of appreciation—these are all ways to establish good credit with your network!

Now that I’ve earned this badge, I can give service by:

- Creating a poster of borrowing dos and don’ts to hand out to younger Girl Scouts
- Sharing what I’ve learned about how college loans work with fellow classmates
- Volunteering to help with a workshop designed to educate young adults about credit and borrowing smartly

Take credit for your hard work!

I’m inspired to: