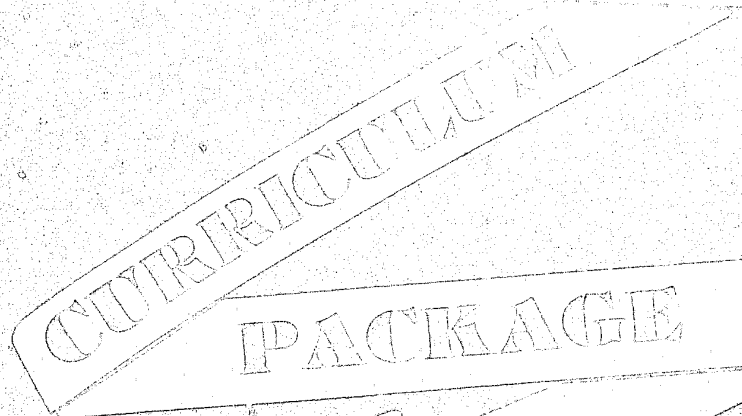
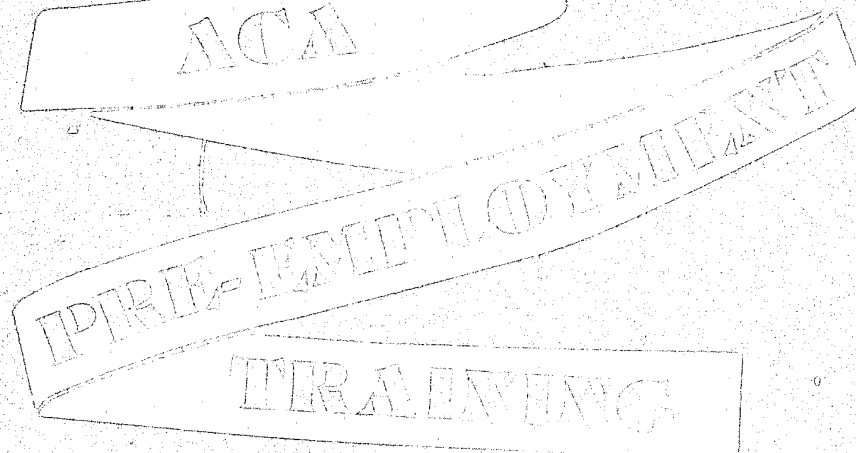
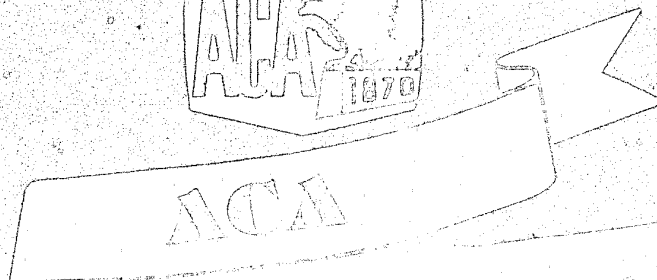


10



63919

ESTABLISHING AND
MAINTAINING GOOD CREDIT

✓ ACA
✓ COMPREHENSIVE WORK
ENTRY PROGRAM

UNIT 10
✓ ESTABLISHING AND MAINTAINING CREDIT



DO NOT WRITE IN THIS BOOKLET!

NCJRS

DEC 27 1979

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This project was supported by Grant No. 73-ED-99-0038 awarded by the Law Enforcement Assistance Administration, United States Department of Justice. Points of view or opinions stated in this publication are those of the American Correctional Association and do not necessarily represent the official position of the United States Department of Justice.

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UNIT GOALS

After completing this unit, you will be able to:

Establish and maintain credit

- Identify credit as a way of paying over a period of time for things you buy
- Identify different types of credit
 - Identify installment loans as money borrowed from a bank which you pay back in installments
 - Identify installments as a number of payments in equal amounts
- Identify deferred payment plans
 - Recognize that deferred payment plans allow you to "buy now and pay later"
- Identify credit cards as plastic cards which allow you to use credit in different stores
- Identify charge accounts as a way of getting credit at a particular store
- Recognize what being able to establish credit depends on
 - Identify your payment record on any previous loans
 - Recognize that if you have defaulted (not paid) on any loan you had before, there is a danger that you may default again
 - Identify how well you pay your present bills
 - Recognize that if you have a record of paying your bills regularly, it will show that you are responsible and able to repay
 - Identify home ownership or continued residence at one address
 - Recognize that, especially after incarceration, it is important for you to have a reliable permanent address
 - Recognize that you should try to keep the same address for at least two or three years
 - Identify your employment record
 - Recognize that the length of your employment is important
 - Recognize that hopping from one job to another can hurt your chance to establish credit
 - Identify your ability to handle new bills
 - Recognize that if you barely make enough money to pay your present bills, you probably will not be allowed to make new bills
- Identify the steps for establishing credit
 - Open a savings account
 - Add to your savings account regularly
 - Open a checking account
 - Use your checking account to pay bills
 - Apply for a charge account at a local department store
 - Use your bank accounts as references
 - Pay your charge account bills regularly and on time
 - Apply for a bank card (VISA or Master Charge)
 - Pay your bank card bills regularly and on time
- Use credit wisely
 - Recognize that credit can be an important part of your plan to improve your way of living

Recognize that you must decide whether owning something now makes up for paying interest

- Identify interest as what you pay for using someone else's money

- Recognize that interest is usually a certain percentage of the amount you borrow

Recognize that any time you pay a finance charge because you can't pay a bill in full, you're using credit

- Recognize that you should decide if you need something right away or if you can wait until you have the cash to pay for it

Avoid overloading yourself with installment payments

- Avoid spending more than 15 to 20 percent of your monthly income on installment payments

- Recognize that you should keep at least two months income in your savings account so you can keep up payments if you can't work for awhile

Notify your creditors (people, banks or stores you owe money) right away if you cannot make a payment

- Recognize that you can usually work out some type of agreement

- Avoid having your account turned over to a collection agency or having your purchases repossessed

Recognize that you should shop around for credit just as you should for anything else

- Recognize that there are different types of agencies which lend money

- Identify commercial banks as a source of loans in cash

- Identify small loan companies as a source of loans in cash

- Recognize that small loan companies can and do lend smaller amounts than commercial banks

- Recognize that interest rates will be higher at small loan companies than at commercial banks

- Identify credit unions as a source of loans in cash

- Recognize that interest rates will probably be lower at credit unions than at any other source

- Identify savings banks or savings and loan associations as a source of loans in cash

- Recognize that savings banks lend money mostly for the purchase of homes and home improvements

- Recognize that interest rates for home improvement loans will probably be slightly lower than at commercial banks

DIRECTIONS

Before you begin this unit, complete the test items on the Unit Test. Use a blank sheet of paper to write down your answers, or an answer sheet provided by your instructor. DO NOT WRITE IN THIS BOOKLET! When you have finished, check your answers using the Unit Test Key which you will find in the back of the booklet. Count the number of items you answered wrong and mark your score on your answer sheet (for example, -6). After you have finished reading the text, take the Unit Test again. When you have finished, check your answers using the Unit Test Key. Count the number of items you answered wrong and mark your score on your answer sheet (for example, -1). By comparing the two scores, you can see how much you have learned.

In the unit you will find review questions to check your progress. Answer the review questions on a separate sheet of paper. Then, check your answers using the Review Question Key. You will find the answers printed upside down. If you answer any of the questions wrong, read over the section right before the questions. If you answer all of them right, keep reading.

At the back of the booklet, you will find a list of words and their meanings. If you come across a word you do not understand, look it up in the word list. Words which appear in the list are underlined in the text.

Unit Test

1. On your response sheet place a check mark (✓) to the left of those items which establishing credit depends on.
- ☐ a. your payment record on any loans you had before
 - ☐ b. how well you pay your present bills
 - ☐ c. automobile ownership
 - ☐ d. home ownership or continued residence at one address
 - ☐ e. your employment record
 - ☐ f. criminal record
 - ☐ g. how well you can handle any new bills

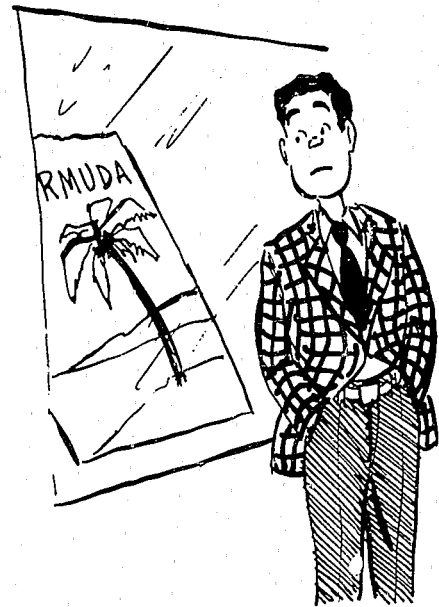
For each of the following test items, circle on your response sheet the letter which most correctly completes the statement. DO NOT WRITE IN THIS BOOKLET!

2. If you have defaulted on any loan you had before, there is no danger that you will default again.
- a. True
 - b. False
3. If you have a record of paying your bills regularly it will show that you are responsible and able to repay.
- a. True
 - b. False
4. It is important for you to have a reliable permanent address, especially after incarceration.
- a. True
 - b. False
5. You should try to keep the same address for at least two or three years.
- a. True
 - b. False
6. Since the length of your employment is not important, hopping from one job to another cannot hurt your chance to establish credit.
- a. True
 - b. False
7. If you barely make enough money to pay your present bills you will probably be able to take out a loan for something new.
- a. True
 - b. False

8. The steps for establishing credit include:
- opening a savings and checking account*
 - applying for a charge account at a local department store*
 - applying for a bank card*
 - all of the above*
9. After opening your savings and checking accounts you should:
- add to your savings account regularly*
 - use your checking account to pay bills*
 - both a and b*
 - neither a nor b*
10. In applying for a charge account at a local department store you should:
- use your bank accounts as references*
 - pay your charge account bills regularly and on time*
 - both a and b*
 - neither a nor b*
11. In applying for a bank card you should:
- use your other charge accounts and bank accounts as references*
 - pay your bank card bills regularly and on time*
 - both a and b*
 - neither a nor b*
12. Credit:
- can be an important part of your plan to improve your way of living*
 - has the advantage of allowing you to own something now*
 - has the disadvantage of paying interest*
 - all of the above*
13. Interest is:
- what you pay for using someone else's money*
 - usually a certain percentage of the amount you borrow*
 - both a and b.*
 - neither a nor b*
14. In making purchases you should remember that:
- the finance charge you pay because you can't pay a bill in full is really interest*
 - you should decide if you need the item right away or if you can wait until you have the cash to buy it*
 - both a and b*
 - neither a nor b*

15. In order to avoid overloading yourself with installment payments you should:
- a. *avoid spending more than 15 to 20 percent of your monthly income on installment payments*
 - b. *keep at least two months income in your savings account*
 - c. *both a and b*
 - d. *neither a nor b*
16. If you cannot make a monthly payment you should:
- a. *write or call your creditors right away*
 - b. *try to work out some type of agreement*
 - c. *avoid having your account turned over to a collection agency or having your purchases repossessed*
 - d. *all of the above*
17. Since there are different types of agencies which lend money, you should shop around for credit just as you would for anything else.
- a. *True*
 - b. *False*
18. Small loan companies:
- a. *can and do lend smaller amounts than commercial banks*
 - b. *will probably have higher interest rates than commercial banks*
 - c. *both a and b*
 - d. *neither a nor b*
19. Credit Unions:
- a. *are a good source of loans in cash*
 - b. *will probably have lower interest rates than any other source*
 - c. *should be the first source you turn to for loans in cash*
 - d. *all of the above*
20. Savings banks or savings and loan associations:
- a. *lend money mostly for the purchase of homes and home improvements*
 - b. *have lower interest rates for home improvements than commercial banks*
 - c. *both a and b*
 - d. *neither a nor b*

Credit is a way of paying, over a period of time, for things you buy. It gives you a chance to have and enjoy things that you probably would not otherwise be able to afford.



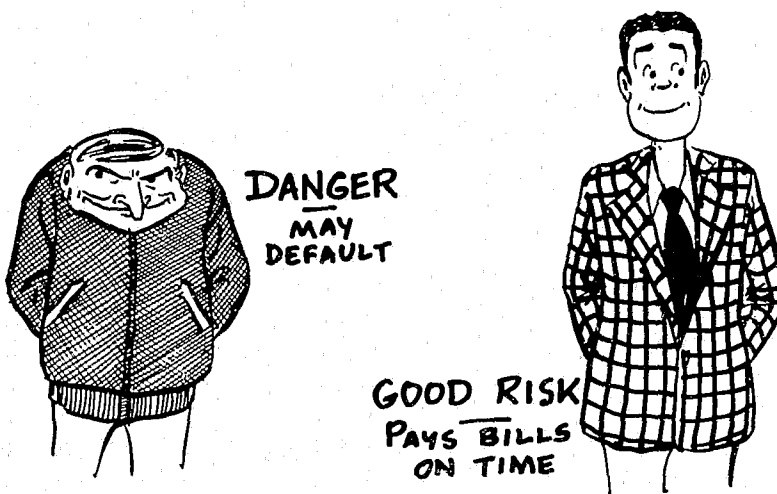
There are many different types of credit, but the following are the most common: installment loans - money borrowed from a bank which you pay back in installments (a number of payments in equal amounts); deferred payment plans - allow you to "buy now and pay later"; credit cards - plastic cards which allow you to use credit in different stores; and charge accounts - a way of getting credit at a particular store.



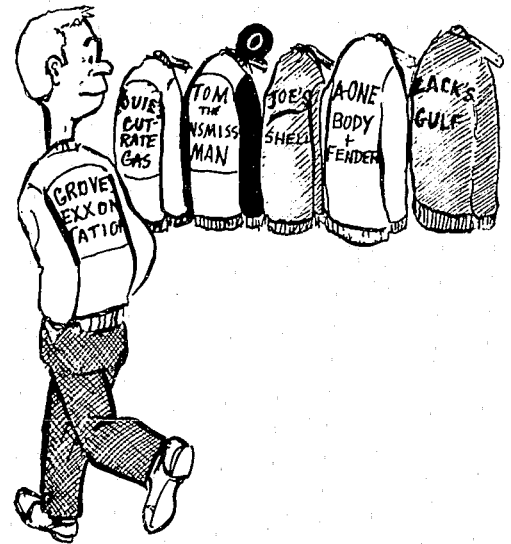
Being able to establish credit depends on:

- (1) your payment record on any loans you had before;
- (2) how well you pay your present bills;
- (3) home ownership or continued residence at one address;
- (4) your employment record; and,
- (5) how well you can handle any new bills.

If you have defaulted (not paid) on any loan you had before, there is a danger that you will default again. If, however, you have a record of paying your bills on time, it will show that you are responsible and able to repay. It is equally important, especially after incarceration, for you to establish a reliable permanent address. For example, you should try to keep the same address for at least two or three years.



The length of your employment is important too. Hopping from one job to another, for example, hurts your chance to establish credit. Finally, your ability to handle additional bills will be taken into consideration. If you barely make enough money to pay your present bills, you probably will not be allowed to make new bills.



To establish credit, the first thing you should do is open both a savings and checking account. ADD TO YOUR SAVINGS ACCOUNT REGULARLY AND USE YOUR CHECKING ACCOUNT TO PAY BILLS. Then, apply for a charge account at a local department store, using your bank accounts as credit references. Be sure to pay your charge account bills regularly and on time. The final step is to apply for a bank card (VISA or Master Charge), making sure again, to pay your bills regularly and on time. You can use your other charge accounts and bank accounts as references.

Check your progress by answering the following review questions.

DIRECTIONS:

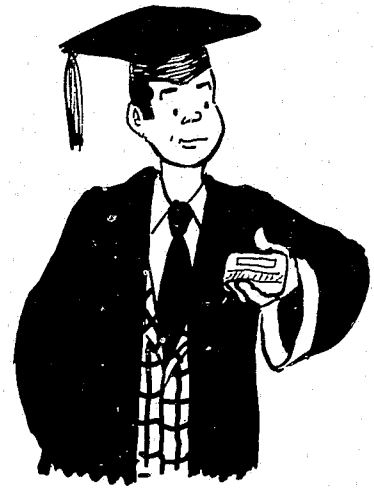
On your response sheet write the letter or letters which most correctly completes the statement.

1. Being able to establish credit depends on:
 - a. payment record on loans you had before
 - b. how well you pay present bills
 - c. home ownership or continued residence at one address
 - d. automobile ownership
 - e. employment record
 - f. how well you can handle new bills
2. To establish credit you should:
 - a. open both savings and checking accounts
 - b. apply for local department store charge accounts
 - c. apply for bank card
 - d. all of the above

Check your answers by using the key below. If you get the answers right, keep reading. If you get any of them wrong, go back over what you have already read.

Review Question Key
1. a b c e f 2. d

Once you have established credit, use it wisely. It can be an important part of your plan to improve your way of living. But you must decide whether owning something right away makes up for paying interest. Interest is the term used for the amount you pay for using someone else's money. It is usually a certain percentage of the amount you borrow.

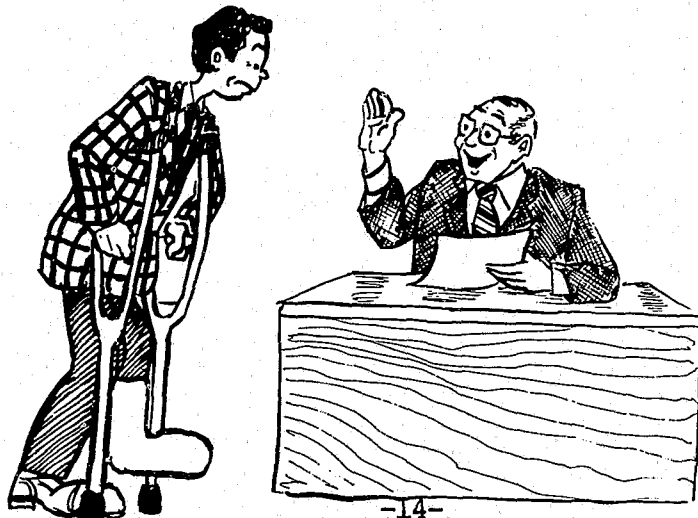


The finance charge you pay because you can't pay a bill in full is really interest on the credit you are using. So you should decide if you need something right away or if you can wait until you have the cash to buy it.

Don't overload yourself with installment payments. Avoid spending more than 15 to 20 percent of your monthly income on installment payments. For example, if you take home \$500.00 per month, do not spend more than \$75.00 to \$100.00 on installment payments each month. Always try to keep at least two months income in your savings account so you can keep up your payments if for some reason you can't work for awhile.



If for some reason you cannot make your monthly payment, write or call your creditors (people, banks or stores you owe money) right away. You can usually work out some type of agreement. At all costs, avoid having your account turned over to a collection agency or having your purchases repossessed.



Check your progress by answering the following review questions.

DIRECTIONS:

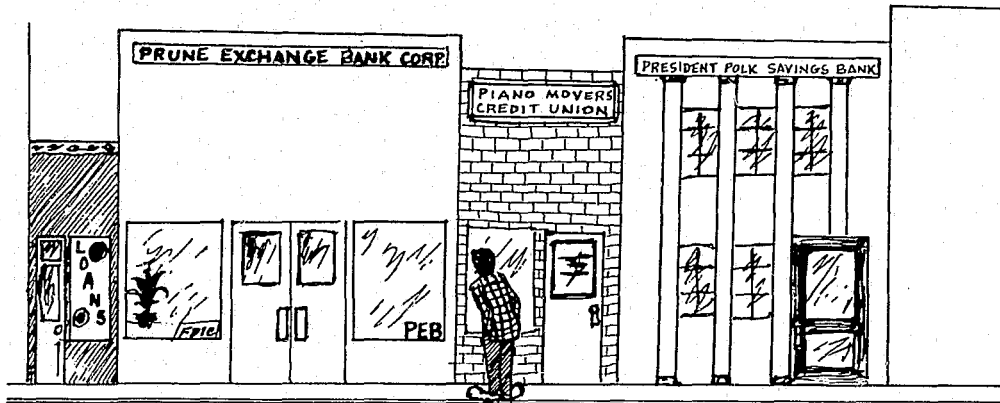
On your response sheet write the letter of the phrase which most correctly completes the statement.

1. In using credit wisely you should:
 - a. make credit an important part of your plan to improve your way of living
 - b. always take advantage of the chance to own something now
 - c. not worry about finance charges
 - d. always buy items if they're on sale
2. In taking on installment payments you should:
 - a. keep your monthly installment payments about equal with your monthly income
 - b. write or call your creditors right away if you cannot make your monthly payment
 - c. both a and b
 - d. neither a nor b

Check your answers by using the key below. If you get the answers right, keep reading. If you get either of them wrong, go back over what you have already read.

1. a
2. b
Review Question Key

When you need a loan in cash, you should shop around for credit just as you would for a used car. There are a number of agencies which lend money. Your best bet would be to apply at the same bank where you have a savings or checking account.



Small loan companies can and do lend smaller amounts than banks, but interest rates will probably be a little higher.

Credit unions also lend money, and tend to have the lowest interest rates of all sources. However, there isn't always a credit union available. But they are a good source of loans in cash and should be the first source you turn to.

Savings banks or savings and loan associations lend money mostly for the purchase of homes and home improvements. Interest rates for these loans will probably be slightly lower than at commercial banks.

Establishing and maintaining credit is a good way to show that you are an accepted member of your community, but you have to be careful about how you use it.

Check your progress by answering the following review question.

DIRECTIONS:

On your response sheet write the letter of the phrase which most correctly completes the statement.

Sources of loans in cash include:

- a. commercial and savings banks
- b. credit unions
- c. small loan companies
- d. all of the above

Check your answer by using the key below. If you get the answer right, take the Unit Test again. If you get it wrong, go back over what you have already read.

Now that you have completed the text, take the Unit Test again. When you have finished, check your answers using the Unit Test Key. Count the number of items you answered wrong and mark your score on your answer sheet (for example, -1). By comparing the two scores, you can see how much you have learned.

d

Review Question Key

AMOUNT OF LOAN	PAYMENT REQUESTED \$	NO. OF MONTHS	DATE DUE PREFERRED 5 10 15 20 25 30
PURPOSE OF LOAN	SECURITY OFFERED		

Applicant

SECTION A - INFORMATION REGARDING APPLICANT

NAME		LAST	FIRST	MIDDLE	SOCIAL SECURITY NUMBER	
CURRENT ADDRESS	STREET	CITY	STATE	ZIP CODE	SINCE	HOME PHONE
PRESENT EMPLOYER	NAME	STREET	CITY	STATE	ZIP CODE	EMPLOYEE I.D. NO.
YOUR POSITION	OFFICE PHONE	SUPERVISOR	MONTHLY TAKE HOME SALARY \$		BIRTH DATE	NUMBER OF DEPENDENTS
PREVIOUS EMPLOYER (NAME & ADDRESS)					YEARS THERE	
PREVIOUS RESIDENCE	STREET	CITY	STATE	ZIP CODE	YEARS THERE	
NEAREST RELATIVE NOT LIVING WITH YOU	NAME	STREET	CITY	STATE	ZIP CODE	RELATIONSHIP
CHECKING ACCT. NO.	INSTITUTION AND BRANCH				DRIVER'S LICENSE NO.	
SAVINGS ACCOUNT NO.	INSTITUTION AND BRANCH					
Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation						
OTHER INCOME: \$		PER MONTH		SOURCE		

Co-Applicant

SECTION B - INFORMATION REGARDING JOINT APPLICANT OR OTHER PARTY (Use separate sheets if necessary)

NAME		LAST	FIRST	MIDDLE	SOCIAL SECURITY NUMBER	
CURRENT ADDRESS	STREET	CITY	STATE	ZIP CODE	SINCE	HOME PHONE
PRESENT EMPLOYER	NAME	STREET	CITY	STATE	ZIP CODE	EMPLOYEE I.D. NO.
YOUR POSITION	OFFICE PHONE	SUPERVISOR	MONTHLY TAKE HOME SALARY \$		BIRTH DATE	DRIVER'S LICENSE NO.
Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation						
OTHER INCOME: \$		PER MONTH		SOURCE		

SECTION C - MARITAL STATUS (Do not complete if this is an application for individual unsecured credit)

Applicant ☐ Married ☐ Separated ☐ Unmarried (including single, divorced, and widowed)
 Other Party: ☐ Married ☐ Separated ☐ Unmarried (including single, divorced, and widowed)

Obligations

SECTION D - ASSET AND DEBT INFORMATION (If Section B has been completed, this Section should be completed giving information about both the Applicant and Joint Applicant or Other Person. Please mark Applicant-related information with an "A" If Section B was not completed, only give information about the Applicant in this Section.)

LIST ALL INSTALLMENT ACCOUNTS NOW OPEN OR PAID. ALSO INCLUDE CREDIT CARDS, OTHER LINES OF CREDIT AND ANYONE ELSE TO WHOM INDEBTED.					CHECK HERE IF TO BE PAID BY THIS LOAN	
FULL NAME OF CREDITOR		COMPLETE MAILING ADDRESS			BALANCE DUE	MONTHLY PYT.
YEAR, MAKE, MODEL OF AUTO(S) NOW OWNED						
NAME AND ADDRESS OF PRESENT/LAST SOURCE OF AUTO FINANCING						
REAL ESTATE	Own Rent	PURCHASE PRICE \$	BALANCE	ASSESSED VALUE	MARKET VALUE \$	
MORTGAGEE OR LANDLORD'S NAME & ADDRESS					MONTHLY RENTAL OR MORTGAGE PAYMENT	
HAVE YOU HAD PREVIOUS CREDIT WITH US? <input type="checkbox"/> YES <input type="checkbox"/> NO			TYPE OF CREDIT		YEAR	

SECTION D - ASSET AND DEBT INFORMATION (Continued)

Cash value of insurance policies, current market value of securities, savings accounts or other liquid assets		
NAME AND ADDRESS OF COMPANY OR ASSOCIATION	NO. SHARES	CASH OR MARKET VALUE
Are you a co-maker, endorser, or guarantor on any loan or contract? Yes <input type="checkbox"/> No <input type="checkbox"/> If "Yes" for Whom?		
PERSONAL REFERENCE		

SECTION E - SECURED CREDIT (Complete only if credit is to be secured.)

If the security is real estate, give the full name of your spouse (if any):

AUTOMOBILE SECTION. Complete as appropriate if:

1. Purchasing a new or used automobile. (Fill in A, B, C and E)
2. Refinancing an automobile. (Fill in A, B, D and E)
3. Pledging a Lien Free automobile as full or partial collateral on this loan. (Fill in A and E)

(USE ALSO FOR RECREATIONAL VEHICLES AND BOATS)

DESCRIPTION OF AUTOMOBILE

Year	Make	Model	Body Type	Color	No. Cyls	Serial NO
A.						
Name and address of Finance Company, Dealer or private Seller.						
B.						
C. Delivered price including all extras \$		Down payment in cash and/or net trade in \$		Amt. due Seller \$		Attach copy of the Sales Agreement if possible
D. Gross amount due Finance Company \$		Net amount due Finance Company \$		If paid by		
The above described auto <input type="checkbox"/> is <input type="checkbox"/> will be insured as follows: a Collision and upset less \$ _____ deductible. b. Comprehensive (Fire, theft, etc.) less \$ _____ deductible, Premium <input type="checkbox"/> has been <input type="checkbox"/> will be paid through _____, 19_____. Notwithstanding present coverage if this loan is granted I agree to obtain and to maintain throughout the term of the loan minimum coverage of collision and upset less \$100.00 deductible and full coverage comprehensive. I also agree to list the University National Bank as loss payee (long form) and to provide the Bank with written advice of such action.						
E.						
Name and address of Insurance Company						
Auto <input type="checkbox"/> is <input type="checkbox"/> will be titled or registered in the State of _____ EXACTLY as follows:						
Name(s)			Address			
<input type="checkbox"/> Title is attached <input type="checkbox"/> Title is in Bank files <input type="checkbox"/> Title will be forwarded by the motor vehicle authority of _____ or by me as soon as received.						
I/WE HEREBY CERTIFY THAT THE ABOVE DESCRIBED VEHICLE IS FREE AND CLEAR OF ANY LIEN OR ENCUMBRANCE EXCEPT AS STATED ABOVE AND THAT THE TITLE OR OTHER LEGAL EVIDENCE OF OWNERSHIP WILL BE DEPOSITED WITH YOU FOR THE TERM OF THIS LOAN. IF THIS LOAN IS GRANTED YOU ARE SPECIFICALLY AUTHORIZED TO PAY ANY OR ALL AMOUNTS NOW DUE TO THE AUTOMOBILE DEALER, FINANCE COMPANY AND/OR INSURANCE COMPANY						

OTHER SECURITY:

BRIEF DESCRIPTION OF SECURITY

NAME: ADDRESS OF CO-OWNERS

Everything that I have stated in this application is correct to the best of my knowledge. I understand that you will retain this application whether or not it is approved. You are authorized to check my credit and employment history and to answer questions about your credit experience with me.

Applicant's Signature

Date

Other Signature
(Where Applicable)

Date

Unit Test Key

- | | | | |
|-----|-------------|-----|---|
| 1. | a b c d e g | 11. | c |
| 2. | b | 12. | d |
| 3. | a | 13. | c |
| 4. | a | 14. | c |
| 5. | a | 15. | c |
| 6. | b | 16. | d |
| 7. | b | 17. | a |
| 8. | d | 18. | c |
| 9. | c | 19. | d |
| 10. | c | 20. | c |

* * * * *

WORD LIST

1. available - at hand; usable
2. charge account - a way of getting credit at a particular store
3. collection agency - a company which collects money from people for overdue bills
4. credit - a way of paying over a period of time for things you buy
5. creditors - people, banks or stores you owe money
6. credit reference - credit you have used before which proves that you are able to repay
7. credit union - a company which makes small loans to people who belong to it
8. default - not repay money you owe
9. deferred payment plan - allows you to buy now and pay later
10. establish - to set up or start something and make it firm
11. incarceration - the state of being in jail or prison
12. installments - a number of payments in equal amounts over a period of time
13. interest - what you pay for using someone else's money
14. loan companies - small companies which lend people money, usually at high interest rates
15. maintain - to keep up
16. percentage - a part of a whole measured in hundredths
17. permanent address - an address you keep for a long time (at least 2 years)
18. purchases - things you buy
19. repossessed - taken back by the store because you cannot make payments
20. residence - where you live
21. source - a place where something is found
22. take into consideration - think about something seriously

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3000/11-79

END