



UNIT 3 — Overview

Making Yourself Creditworthy

The establishment of a strong credit history—**creditworthiness**—is an important part of becoming a homeowner or tenant. While you may not be able to rent or buy right now, there are things you can do today to prepare for the eventuality later on. Building a strong credit history is a vital component of this preparation for homeownership.

Credit history is particularly important—it will be an important part of a future loan application; it is often viewed as a measure of trustworthiness when applying for a job; and, property owners often use credit history when reviewing an applicant for possible rental.

In this unit, you will learn about the different types of credit, the characteristics that lenders look for when lending credit, the concept of creditworthiness, the importance of building and maintaining a strong credit history, and measures that you can take to prevent identity theft.

Unit Objectives:

- Identify and analyze different types of credit.
- Analyze samples of credit card offers to determine which offers are most beneficial to consumers.
- Identify the importance of capital, capacity, and character in applying for and receiving credit.
- Complete sample credit applications.
- Examine your own creditworthiness.
- Recognize methods for checking your credit history.
- Identify measures to prevent identity theft.



Key Concepts:

- **Annual Percentage Rate (APR):** a measure of the annual cost of credit
- **Capacity:** the applicant's present and future ability to meet financial obligations
- **Capital:** savings and other assets that can be used as collateral for loans
- **Character:** the applicant's trustworthiness
- **Credit application:** the formal request for credit filled out by the potential borrower
- **Credit history:** the official record of the way you use your credit and repay debt
- **Credit report:** an official record of how bills have been paid; how much money is owed and to whom; employment and financial stability; current and past residential addresses; current job status, and payment history
- **Creditor:** a person or firm that extends credit
- **Finance charge:** the fees charged when a borrower receives cash against a line of credit and is paid in addition to the interest rate; includes annual membership, late payments, charges for exceeding the credit limit and cash advance charges
- **Grace period:** the time in which the borrower can pay off all new purchases without incurring finance charges
- **Identity theft:** occurs when someone uses your personal information without your permission to commit fraud or other crimes
- **Minimum payments:** the minimum amount the borrower is required to pay the issuer each month

