# Credit Scores & Credit Cards

*What You Need to Know Before You Swipe*

Kindros Foundation

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A nonprofit public charity (501c3) dedicated to providing unbiased financial knowledge to individuals and organizations.

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| --- | --- | --- |
| No financial products | Plain language | Free or low-cost |
| No advertising | Self-paced learning | White-labeled |
| No data sales | 30-40 min modules | Proven results |

# Today's Agenda

**01**

**Why Credit Scores Matter**

**02**

**The 5 Factors That Affect Scores**

**03**

**Real-World Example: APR & Payments**

**04**

**Credit Cards: Categories & Tips**

*~40 minutes | Q&A throughout*

01

SECTION 01

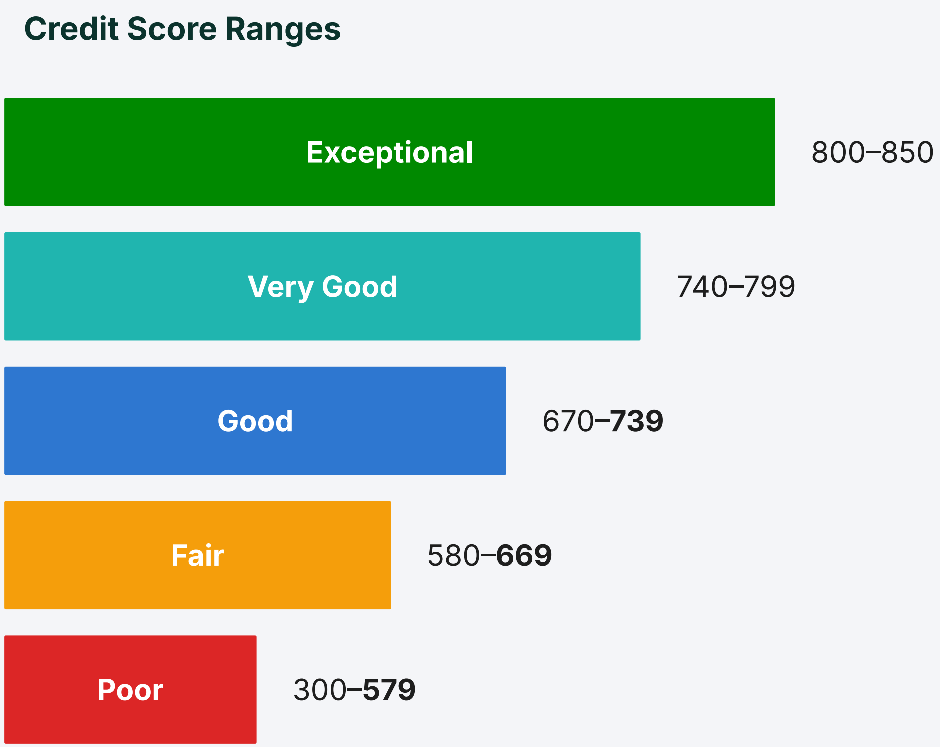
# Why Credit Scores Matter

Understanding the foundation of your financial life

# What Is a Credit Score?

A three-digit number that tells lenders how likely you are to repay borrowed money, based on your borrowing history.

**Range:** 300 (lowest) to 850 (highest)
The bigger the better!



# Why Your Credit Score Affects Your Life

### Mortgages & Renting

A low score can mean a higher mortgage rate, costing tens of thousands over a 30-year loan. Landlords also run credit checks before renting.

### Auto Loans

The difference between a good and poor credit score can mean hundreds of dollars more per month on a car payment, and thousands more in total interest.

### Employment

Many employers, especially in finance, government, and security, run credit checks as part of hiring. A poor score can cost you the job.

### Insurance Rates

Auto and home insurance companies use credit-based insurance scores. Better credit often means lower premiums, sometimes 20–50% lower.

02

SECTION 02

# The 5 Factors That Shape Your Score

Know what moves the needle, and what hurts you

# The 5 FICO Credit Score Factors

| 35% | 30% | 15% | 10% | 10% |
|---|---|---|---|---|
| Payment History | Amounts Owed | Length of History | New Credit | Credit Mix |

*Source: myFICO.com — How scores are calculated*

# Factor 1: Payment History

35%

of your
credit score

## The single most important factor

- On-time payments boost and protect your score. Even one late payment can drop your score by 50–100 points.
- Missed payments stay on your credit report for 7 years, even after you've paid the debt.
- Set up autopay for at least the minimum payment. Never miss a due date.

**Even if you can't pay the full balance, always pay at least the minimum on time.**

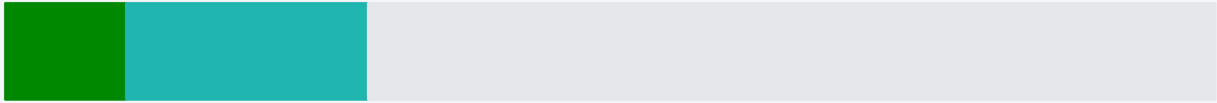
# Factor 2: Credit Utilization (Amounts Owed)

**30%**

of your
credit score

## How much of your available credit are you using?

Example: $2,000 balance on a $10,000 limit = 20% utilization



< 10%
Ideal

10–30%
Good

30–50%
Fair

> 50%
Hurts Score

**Two ways to lower utilization:**
Pay down your balance · Request a higher credit limit (without increasing spending)

# Factor 3: Length of Credit History

**15%**

of your
credit score

## How long have you been using credit?

▶ The age of your oldest account, newest account, and average age all factor in.

▶ Closing an old account can shorten your average credit age and hurt your score.

▶ This is why starting early matters, even if you just open a card and use it lightly.

▶ For first-time credit users, this factor will naturally be low. Don't panic. It improves with time.

**Keep your oldest accounts open, even if you rarely use them.**

# Factors 4 & 5: New Credit & Credit Mix

## New Credit — 10%

- Each time you apply for credit, a hard inquiry is recorded on your report.
- Multiple hard inquiries in a short period signal financial distress and lower your score.
- Rate shopping for mortgages or auto loans within a 14–45 day window counts as ONE inquiry.
- Hard inquiries affect your score for about 1 year and stay on your report for 2 years.
- Checking your own score (soft inquiry) never hurts your score.

## Credit Mix — 10%

- Lenders like to see you can manage different types of credit responsibly.
- **Revolving credit:** Credit cards, HELOCs. The balances fluctuate.
- **Installment loans:** Car loans, mortgages, student loans. They have fixed payments.
- You don't need every type. NEVER take on debt just to improve your mix.
- This factor matters least; focus on payment history and utilization first.

03

SECTION 03

# Real-World Example: APR & Monthly Payments

See exactly how your credit score costs or saves you money

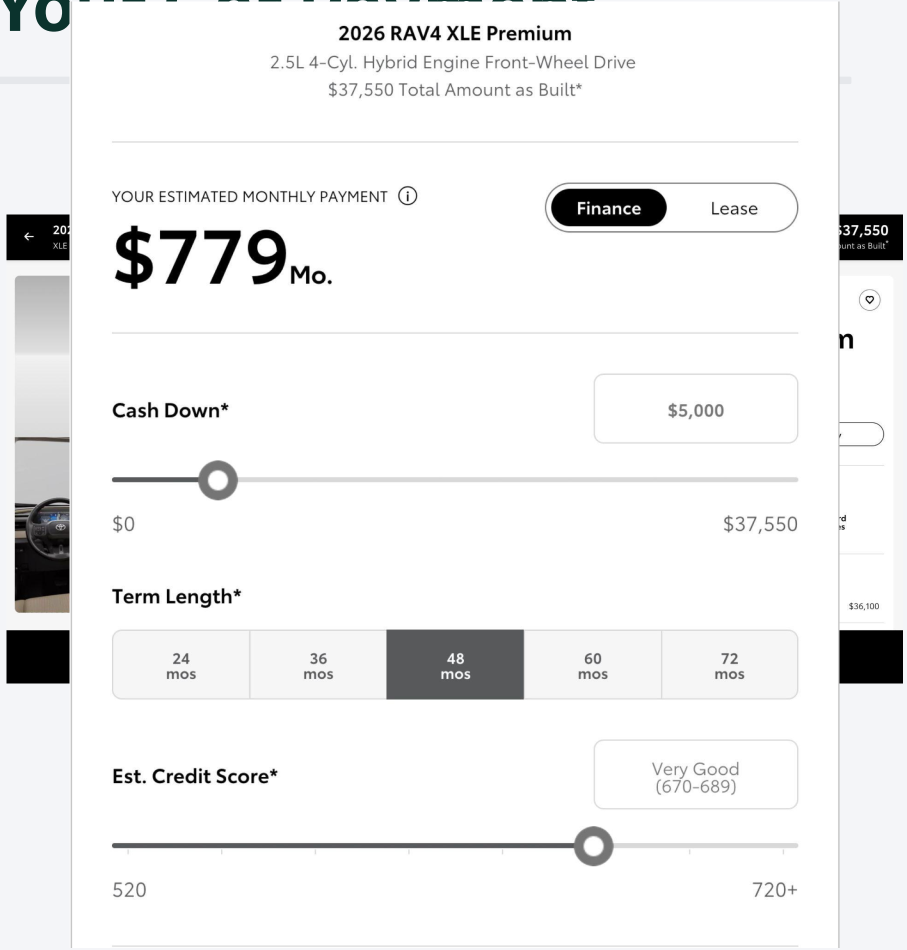
# How Credit Score Affects Your Car Payment

## The Scenario

- Vehicle: 2026 Toyota RAV4 XLE Premium (new)
- Loan amount: $32,550
- Loan term: 48 months (4 years)
- Same buyer, only the credit score changes

### What we're comparing:

APR offered → Monthly payment → Total interest paid



# Credit Score → APR → Monthly Payment

| Credit Score Range | Credit Tier | APR Offered | Monthly Payment | Total Interest Paid |
|---|---|---|---|---|
| 720+ | Excellent | 4.99% | $749 | $3,402 |
| 690 – 719 | Great | 4.99% | $749 | $3,402 |
| 670 - 689 | Very Good | 6.99% | $779 | $4,842 |
| 650-669 | Good | 9.99% | $825 | $7,050 |
| 630 - 649 | Fair | 13.11% | $875 | $9,450 |

** APR rates are based on input on April 3, 2026, and are for illustration purposes only.*

# What This Means For You

### Start building credit NOW

Every month you delay is another month without credit history. The best time to start was yesterday. The second best time is today.

### One score — dozens of impacts

Auto loans, mortgages, credit cards, insurance, rentals — your credit score touches every major financial decision. Protect it.

### The math is undeniable

A higher score isn't just a vanity number. It represents thousands — sometimes tens of thousands — of dollars saved over your lifetime.

04

# Credit Cards: Categories & Smart Strategies

Choosing, opening, and using your first card

# Types of Credit Cards

### Secured Cards

Require a cash deposit as collateral. Best for building or rebuilding credit from scratch.

### Student Cards

Designed for college students. Lower limits, educational perks, easier approval requirements.

### Cash Back Cards

Earn a percentage of each purchase as cash back. Simple, flexible rewards. Great starter card.

### Rewards / Points Cards

Earn points or miles for spending. Redeem for travel, merchandise, or gift cards.

### Travel Cards

High rewards on travel spending. Often include perks like airport lounge access and travel insurance.

### Balance Transfer Cards

Low or 0% intro APR on transferred balances. Useful for paying off existing card debt.

# What to Consider When Opening a Credit Card

## Annual Fee

Some cards charge $0/year; premium cards can charge $95–$695. As a beginner, start with $0 annual fee.

## APR (Interest Rate)

The rate you pay on unpaid balances. If you pay in full each month, this matters less, but always know the number before you sign up.

## Rewards Structure

Flat-rate (1.5% on everything) vs. category (3% on groceries, 1% on other). Match it to how you spend.

## Credit Limit

Higher limits help your utilization ratio. Don't overspend just because you have a high limit.

## Sign-Up Bonus

Many cards offer a bonus if you spend a certain amount in the first 3 months. Only pursue if achievable naturally.

## Foreign Transaction Fees

Typically 3% on international purchases. If you travel abroad, look for a card that waives this.

# Tips for Opening & Using Your First Credit Card

### 1 Pay your full balance every month

Avoid interest entirely. If you can't afford to pay it off, you can't afford to buy it.

### 2 Set up autopay for the full amount

Never miss a payment. Autopay = peace of mind.

### 3 Keep utilization below 30%

Ideally under 10%. If your limit is $1,000, try to keep your balance under $100–$300.

### 4 Use it for small, regular purchases

Gas, groceries, subscriptions. Things you'd buy anyway. Then pay it off immediately.

### 5 Check your statements monthly

Review every charge. Catch fraud early. Understand your spending habits.

### 6 Don't close your first card

Even after upgrading to a better card, keep that first account open for the credit history.

# Common Credit Card Mistakes to Avoid

| | |
|---|---|
| ✕ **Only paying the minimum balance** | At 25% APR, a $1,000 balance paying minimum only can take 5+ years to pay off and cost $700+ in interest. |
| ✕ **Maxing out your credit limit** | High utilization is the second biggest score killer. Keeps your balances low relative to your limit. |
| ✕ **Applying for multiple cards at once** | Multiple hard inquiries signal desperation to lenders and can drop your score significantly. |
| ✕ **Missing payments** | Even one 30-day late payment can drop your score 50–100 points and stays on your report for 7 years. |
| ✕ **Ignoring your statements** | Fraud and billing errors go unnoticed. You have limited time to dispute charges. Check monthly. |

# Key Takeaways

1. Your credit score is one of the most impactful numbers in your financial life. It affects loans, rent, insurance, and more.
2. Pay on time, every time. 35% of your score depends on it. Set up autopay now.
3. Keep credit utilization below 30% (ideally <10%). Your balance relative to your limit matters enormously.
4. Start building credit history early. Time is the one factor you can't speed up.
5. Choose a no-fee cash back or student card to start. Pay the full balance monthly. Never carry a balance if you can help it.

# Questions?

## Let's talk credit, scores, and smart financial decisions.

*Please fill out today's survey. Your feedback helps us improve!*

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