



NIGHT OF THE LIVING DEBT Talking Points

1. What is a credit score?
 - a. A credit score is a number between 300-850.
 - b. The higher your score, the better your "credit."
 - c. There are several types of credit scores including the FICO Score, Vantage Score, CE Score, Plus Score, and many others. You can also get scores from many websites including Credit Karma, Credit Sesame, and the three major credit bureaus: Transunion, Equifax and Experian.
 - d. UNFORTUNATELY, the FICO score is used in 90-95% of all credit checks and thus is the only one that really matters. All the others are considered "FAKE-O" scores because they don't really give you the same score that your lenders, insurance companies, etc. will see, and might not be very helpful.
 - e. You can only see your FICO score if you pay for it at myfico.com. You can also ask for a copy of your score when you apply for a loan.
 - f. A *credit score* and *credit report* are not the same thing. A credit score is just a number, while a credit report is a detailed history of all of your past accounts and borrowing activity. Fortunately, a credit report is free from each of the three credit bureaus every year. You can order these free reports at <https://www.annualcreditreport.com>.
2. What is my credit report/score used for?
 - a. Credit reports and scores were invented for lenders, to help them make quick and easy decisions on whether they should loan money to customers.
 - b. Over time, however, credit scores have begun being used by other industries like insurance companies, utility companies, apartment managers, elective medical services, private educational services, and even employers during the hiring and promotion processes.
3. Why should I care about my credit score?
 - a. Because the use of credit scores is so widespread, and used for many important things besides lending, everyone should understand how they work and what they are used for.
 - b. Dave Ramsey is a popular media personality and strongly advocates against borrowing money to build a credit score. While we agree that borrowing money just to build credit can be counterproductive, we also acknowledge that completely ignoring it can be even more destructive. Particularly in the areas of insurance and employment, a bad, or non-existent credit score can mean

much higher insurance premiums, and limited job opportunities particularly in the military, government positions, and finance industries. We have seen first-hand, how poor credit can cost otherwise qualified people a job or promotion. Read what Dave Ramsey has to say about credit scores here:

<http://www.daveramsey.com/blog/the-number-one-way-credit-score>.

We agree that the system itself doesn't make a lot of sense for those who are financially independent. But I like to say that even though we didn't make the rules of this game, but it's best to know how the game is played, rather than ignoring the real world, playing blindly, and hoping for the best.

- c. That's why the "Night of the Living Debt" teaches very conservative, effective and inexpensive ways to build credit.
4. How do I build a good credit score?
- a. The most conservative, effective and inexpensive way to build credit is to wisely use a credit card.
 - b. Technically using a credit card is a form of debt. That's why credit card activity counts toward your credit score. Interestingly enough a *debit card* is not considered debt, even though most debit cards allow users to overspend, overdraft and rack up just as many fees as credit cards. Debit cards do not build credit, but credit cards do, and both can get you into a lot of trouble if used incorrectly. One is not inherently "safer" than the other.
 - c. Credit cards usually come with a grace period, which means that you can charge an expense and then pay off that charge within a grace period, which means you are not charged any interest. This means that you can build a solid credit score without ever paying interest on a debt. Over 50% of Americans who have a credit card do not carry a balance over from previous months. This is how to wisely use a card, and how to build credit successfully without paying any interest.
 - d. Credit cards can also stay open forever. Unlike installment loans (car loans, student loans, personal loans, etc.) which close when you pay them off, a credit card can stay open forever, meaning that they continue to build credit long after installment loan activity is removed from your account.
 - e. Our game, Night of the Living Debt, focuses on the principle that minimally using and paying off your credit card immediately is the best way to build credit.
 - f. After playing Night of the Living Debt, students will also:
 - i. Understand that payday loans and other subprime loans are not effective options for building credit scores.
 - ii. Understand that missing just a few bill payments can have a significant negative effect on credit scores.
 - iii. See credit scores as a metric of financial health. Everyone needs a healthy credit score. It can impact employment, rental eligibility, and loan and insurance rates, private utilities, and educational options.
- iv. Recognize the value of monitoring the credit score, establishing emergency funds, and avoiding sub-prime lenders.