



CreditSmart®

Understanding Credit Scoring Exercise

Knowing how to manage your credit well is essential to financial stability. In this exercise you will learn about Amy, a college graduate, and the financial decisions that she makes. After reading about her financial behavior, determine whether each decision made a positive, negative, or no/minimal impact on her credit.

Directions:

On the Impact on Credit column, place either a +, --, or no impact, to represent positive, negative, and no impact respectively. As the instructor goes over the answers, use the Narrative column to take notes on why each behavior impacted Amy's credit.

Amy's Story

Meet Amy. She just graduated from college with a degree in nursing and is about to start her career. While Amy isn't a real person, the way she uses her credit is a good example of how our actions affect our credit scores.

During college, Amy had a student credit card with a \$500 limit. She managed her credit well, charging items like books and living expenses, but she always made her payments at the end of each month. But now, Amy is faced with many more challenges as she searches for a job, looks for an apartment, and furnishes her place. The choices and temptations are great as Amy begins this exciting phase of her life! Let's see how she does over a two-year period.



Impact on Credit Score Worksheet

Behavior	Impact on Credit	Narrative
Amy's been using her credit card for the last four years and has always made her payments on time. Sometimes she pays the full amount, but she always pays at least the minimum.		
Amy applies for a new credit card with a higher limit.		
She applies for a job as a nurse at the local hospital. As part of the process, they order a credit report on Amy. She gets the job!		
She finds an apartment, and her landlord orders a credit report.		
Amy's excited about her new apartment and buys all new furniture, pushing her credit card over its limit.		
Amy applies for four new credit cards at nearby department stores and a trendy boutique.		
She meets lots of new friends and buys new outfits to wear on the weekends. She maxes out three of her four new credit cards.		
Amy struggles to make her many credit card payments, along with meeting her rent. She's late on two of her credit card payments.		
Amy's car breaks down, and she decides to buy a new one. The car dealer turns down her request for a loan due to poor credit.		
Amy seeks help from a reputable local nonprofit credit counseling agency.		
Amy sticks to her spending plan and meets all her minimum payments; sometimes she's able to pay more than the minimum amount!		
Amy cancels three of her newly acquired credit cards and learns to use her remaining credit cards only when she really needs them.		
Amy continues to use one or two credit cards, but she always makes at least the minimum payment. She tries to pay off her card completely if possible.		



Impact on Credit Score Worksheet Answer Key

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Behavior	Impact on Credit	Narrative
Amy's been using her credit card for the last four years and has always made her payments on time. Sometimes she pays the full amount, but she always pays at least the minimum.	+	Amy has made a great start. She's shown that she can manage her credit card responsibly, and she now has a very solid credit score.
Amy applies for a new credit card with a higher limit.	—	Since Amy only has a credit history with one creditor, applying for an additional credit card at this time could negatively impact her credit.
She applies for a job as a nurse at the local hospital. As part of the process, they order a credit report on Amy. She gets the job!	No impact	Thanks to Amy's good credit rating, the hospital is assured that she manages her finances well.
She finds an apartment, and her landlord orders a credit report.	No impact	Amy's landlord is confident that his new renter will make her payments on time.
Amy's excited about her new apartment and buys all new furniture, pushing her credit card over its limit.	—	Amy's credit score takes a hit when she goes over the limit.
Amy applies for four new credit cards at nearby department stores and a trendy boutique.	—	By applying for so much credit at one time, Amy's score drops. With more credit, the possibility of over-extending herself is now higher.
She meets lots of new friends and buys new outfits to wear on the weekends. She maxes out three of her four new credit cards.	—	Amy's score drops further and she over extends herself.
Amy struggles to make her many credit card payments, along with meeting her rent. She's late on two of her credit card payments.	—	Late payments leave a mark on Amy's credit score.
Amy's car breaks down, and she decides to buy a new one. The car dealer turns down her request for a loan due to poor credit.	+	Amy realizes that she's in trouble when she can't borrow money to buy a car. She starts saving quarters for the bus.
Amy seeks help from a reputable local nonprofit credit counseling agency.	+	Her first step is to contact her creditors and make arrangements for payments she can afford. She works with them to create a spending plan.
Amy sticks to her spending plan and meets all her minimum payments; sometimes she's able to pay more than the minimum amount!	+	Amy's score begins to go up as she manages her money better and makes all her payments on time.
Amy cancels three of her newly acquired credit cards and learns to use her remaining credit cards only when she really needs them.	+	Her score improves when she cancels extra credit cards.
Amy continues to use one or two credit cards, but she always makes at least the minimum payment. She tries to pay off her card completely if possible.	+	Amy's credit score is back on track and she's learned some valuable lessons!