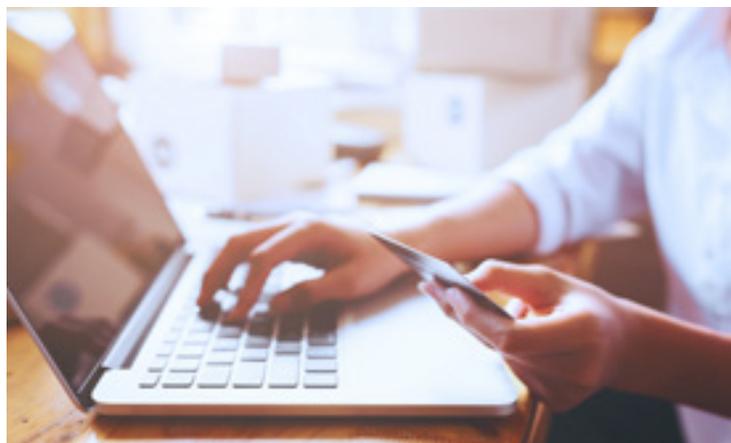




GUIDE to USING CREDIT WISELY



The MHV Guide to Using Your Credit Wisely



THE POWER OF CREDIT

In many situations, credit offers peace of mind; there is no need to carry large amounts of cash when shopping or traveling. If used carefully, credit can be a helpful financial tool. You can use credit to:



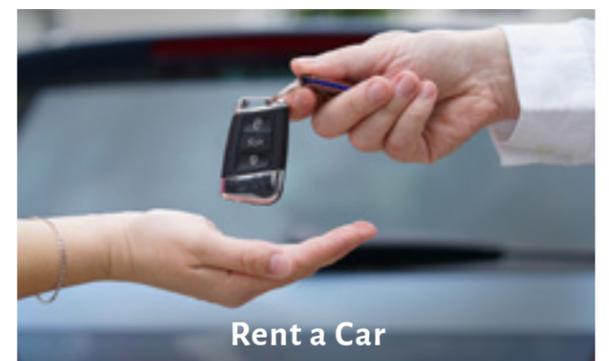
Purchase a home



Auto Repairs



Medical Expenses



Rent a Car



Buy Airline Tickets



Shop Online



SHOPPING FOR CREDIT

When shopping for a credit card, you should first decide how you plan to use it so you can compare features. If you will pay your credit card bill off every month, a no or low annual fee is important. If you usually carry a balance, look for the lowest interest rate. Shop for a grace period, the amount of time after your purchase during which finance charges are not assessed. Some financial institutions give you up to 30 “free” days, while other card issuers start assessing finance charges immediately upon purchase. In fact, interest starts accruing immediately on cash advances - there is no grace period and the interest rate may be higher than that applied to regular purchases. Depending on your payment and credit use habits, you may also be affected by late and over credit limit fees.

What is a Secured Card?

If you have no credit or a bad credit history, you may be able to obtain a secured credit card. A secured card works just like a regular credit card except that you must leave a deposit, usually between \$250 and \$500, with the issuing financial institution. If you default on your payments, the financial institution takes the money owed out of your deposit. Keep in mind, the interest rate and annual fee on a secured card are often a bit higher than on a regular card. But a secured card can offer you the convenience of a regular credit card and the opportunity to improve your credit record. When comparing cards, try to find one that does not charge an application fee and confirm with the issuer that they will report your payment performance to at least one of the three major credit reporting bureaus. Make the most of this chance to build an unblemished credit report.

Using Credit to Achieve a Goal

By having credit, using it wisely and building a strong credit history, you can open up new financial

What to compare when shopping for a credit card:

- Introductory Interest Rate and Term
- Interest Rate for Purchases
- Interest Rate for Cash Advances
- Interest Rate for Balance Transfers
- Balance Transfer Fees
- Credit Limits
- Late Fees
- Grace Period
- Annual Fee
- Rewards
- Other Fees
- Card Benefits

opportunities previously unavailable to you, like buying a car or a home or starting your own business. It can also help you gain employment or find a new place to live.

A good credit score can also help you get lower interest rates which can help you reduce your debt by



10 Warning Signs of Credit Trouble

1. Paying only the minimum on your credit cards
2. Charging more each month than you pay
3. Using credit for items that used to be purchased with cash
4. Having a total credit balance that rarely decreases
5. Being near your credit limit and applying for new cards
6. Needing a consolidation loan to pay existing debt
7. Not knowing the total amount you owe
8. Feeling stress about your finances
9. Draining your savings to pay debts
10. Making bill payments late



Credit Card & Fraud

There is an increased risk for fraud when using a credit card to make purchases. However, there are many safeguards in place to help protect you including EMV chip technology, fraud monitoring and limited liability policies. Most cards issuers also offer email/text/call alerts and notifications so you can keep track of your card and transactions.

consolidating high interest debt into a lower rate loan or credit card. This will help you free up funds to use toward your dreams.

The Cost of Credit

The following chart shows the cost of credit for a \$5,000 debt. At 18% interest, paying just the minimum monthly payment, it will take almost eight years to pay off the balance and will cost almost twice the amount of the original debt.

Paying only \$50 more a month takes four years off the repayment period and saves you thousands. Borrowing money at a lower interest rate cuts your costs even if you only pay the minimum due, but again, paying just \$50 more than the monthly minimum cuts the repayment time by three years and saves you another \$1,387.

Balance	Interest Rate	Monthly Payment	Repayment Time	Total Cost
\$5,000	18%	\$100	7 years, 10 months	\$9,311
\$5,000	18%	\$150	3 years, 11 months	\$6,984
\$5,000	15%	\$100	6 years, 6 months	\$7,896
\$5,000	15%	\$150	3 years, 8 months	\$6,509

Consider Debt Protection

Many financial institutions offer optional Debt Protection to help you and/or your family cover your loan payments in the event of a protected life event such as loss of job, death or disability. This can help reduce the chance of delinquency, default, or foreclosure when something unexpected happens.

Behaviors that Lead to High Credit Scores

(According to FICO, a credit scoring company)

- Make payments on time
- Keep balances low on revolving debt such as credit cards or lines of credit
- Limit the number of open revolving accounts
- Keep existing revolving debt accounts open long-term
- Limit new applications for credit
- Diversify types of credit with both installment and revolving accounts

If You Are Unable to Pay

If you find that you are unable to make the minimum payments on your bills, do not avoid your creditors.

Be proactive! The creditor may offer a hardship program, allowing you to make reduced payments temporarily, and maybe even offer a reduced interest rate.

You may send your creditors a letter including the reason you are unable to make your full payment (layoff, injury, divorce, etc.), your prospects for getting back on track and a suggested reasonable amount you can pay each month. Just remember to be realistic and honest about what you think you can do.

Having a credit card is a big responsibility but if used wisely can be a very useful tool. Be sure to shop and compare so you get the card that best meets your needs.



MID-HUDSON VALLEY FEDERAL CREDIT UNION

Federally Insured by NCUA