

Understanding Credit.

A student guide to financial freedom.



The importance of credit



It's never too early to build a good credit history.

Start now and you'll be thankful later — we promise. You'll get answers to these questions on the following pages and get started toward financial freedom:

- >> What is credit?
- >> How do I establish credit?
- >> How can I be smarter about my credit?
- >> What is a credit report and how do I get one?
- >> What is a credit score and how is it used?

The basics.

Credit involves borrowing money with the agreement to pay it back at a future date. Student loans, car loans and credit cards are just a few examples.

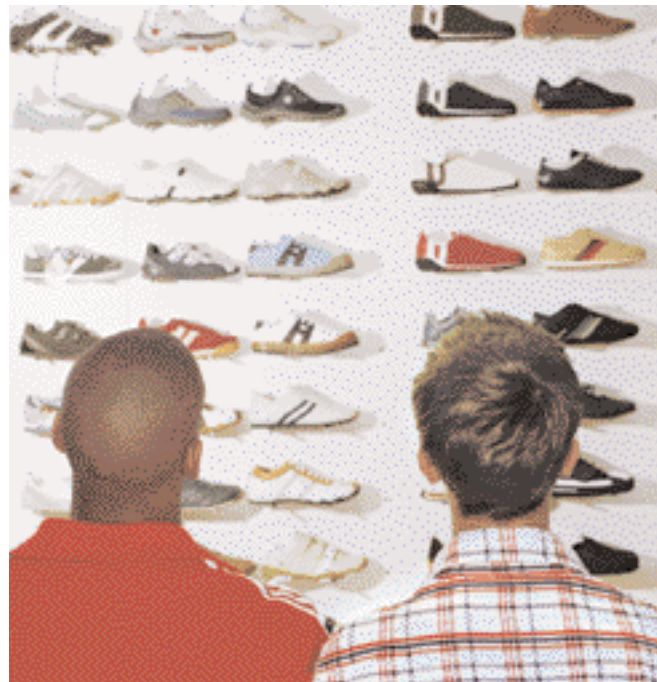
When you're ready to buy a home or get a credit card, the lender will look at your credit history. So get ready to build a great one.

Different kinds of credit.

Chances are you've heard people talk about good credit, bad credit and no credit. Good credit means you pay what you owe on time, and lenders feel confident about lending you money.

Bad credit means you have a history of not paying bills on time and letting debts build up. This makes it harder to qualify for loans or to get low interest rates.

Like many students, you may have no credit. No credit just means you haven't obtained a credit card or borrowed money from a lender — so there's no record of your ability to repay the money on time. This booklet will explain how you can build credit in a number of ways.



How to build good credit now

Establishing and maintaining good credit.

It's easy to build credit — the trick is to maintain good credit. Here are some tips to help you do both:

- >> Open a checking or savings account
- >> Apply for a credit card with the lowest possible interest rate (be sure to put your full legal name on all applications)
- >> Pay all your bills on time, including your rent, utilities, phone, etc.
- >> Keep your credit card balances to a minimum and avoid missing payments

Building a nontraditional credit history.

If you'd rather not get a credit card or loan, you can create a “nontraditional credit history” instead. It's another way of showing lenders that you're responsible about paying your bills and dealing with credit.

Here's how to create a nontraditional credit history:

- >> Pay your monthly bills such as rent, telephone and utilities on time
- >> Keep copies of cancelled checks (for the past two years) as proof of on-time payments
- >> Request a reference letter from your landlord, telephone company or utility company stating the duration and favorable payment history for your account

A strong credit history opens up lots of opportunities — like helping you get the best interest rate on a car loan.



Credit Smarts 101.

Here's how to use your credit responsibly:

- >> Create a budget to manage your expenses — and stick to it
- >> Keep credit card balances low — even better, try to pay them off every month
- >> Be realistic with your spending
- >> Keep track of where you spend your money — saving copies of your receipts will help
- >> Save up over time for large purchases instead of charging them

Credit reports and how to get one



Want to know where you stand? Ask for your credit report.

Every time you use a credit card, or make (or miss) a loan payment, your actions become part of your credit record. It's a way of keeping track of how well you handle credit. Everything that makes up your credit record — including your student loan payments — is listed on your credit report. Lenders rely on credit reports to decide how likely you'll be to repay any money they lend you.

Here's what's in your credit report:

- >> Your name, past and present addresses, date of birth and Social Security number
- >> A listing of past and present employment

- >> Details about your debts and obligations over the past seven years
- >> The payment history for your loans or credit card(s)
- >> Anything of public record, including bankruptcy and tax liens

It's easy to get a copy of your credit report.

Once you have a credit history, you should review your report annually. You can get one free copy of your credit report each year at www.annualcreditreport.com. You can also get it from one of three companies: Equifax, Experian and TransUnion. These companies may charge a small fee and each report is slightly different.

Make sure to check that all the information is correct — because lenders, landlords and employers use it frequently. If you find any mistakes, you can ask the credit agency for an investigation. The law requires the credit-reporting agency to make corrections if an error is found.

Credit-reporting agencies:

Equifax:

1.800.685.1111
www.equifax.com

Experian:

1.888.EXPERIAN
(1.888.397.3742)
www.experian.com

TransUnion:

1.800.888.4213
www.transunion.com

Your credit report is based on your financial behavior — not on salary, gender, race, religion, nationality or marital status.

Why credit scores are as important as test scores

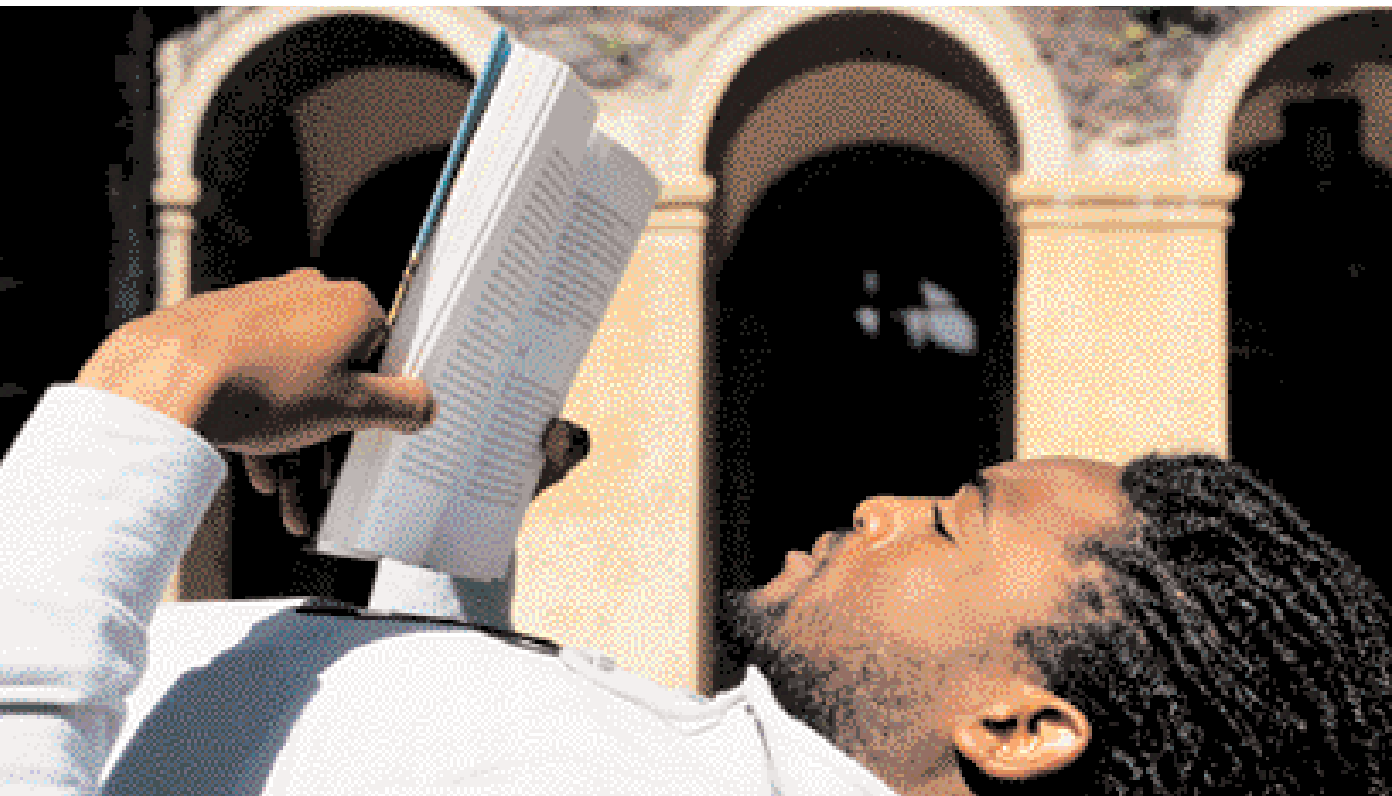
What is a credit score?

Along with your credit report, lenders will often request a credit score, called a FICO* score, to help decide whether you're eligible for a loan. A median credit (FICO) score ranges from 690 to 740. It's a summary of your credit information and covers the areas listed below, in order of importance:

1. Payment history
2. Amounts owed
3. Length of credit history
4. New credit
5. Types of credit used

At some point, you're going to apply for a car loan or even a home loan. In addition to your FICO score, those lenders may also consider other factors, such as income, employment history, amount in your savings account, number of times your credit information has been requested, type of loan you're applying for and the value of your property. All of this information, taken together, can help determine whether you get the loan and what interest rate you'll pay.

*Fair Isaac Corporation



How good credit will affect your future

Be smart with your credit.

It can help you get the things you want.

Once you achieve good credit, you could be on your way to getting an auto loan, a mortgage — whatever your goal might be. Since you may not have reached that point yet, be very careful of lenders looking for people with less-than-perfect credit histories. They may try to offer you a loan or credit card with an extremely high interest rate.

Remember, your credit record reflects your financial behavior. And you have the power to control or change it. The tips and advice in this booklet will help you achieve and maintain good credit. And that can go a long way toward bringing you financial freedom.

Bank of America is here to help students make the right financial choices.

Whenever you need financial advice or have questions about banking services, just visit your local banking center, or go to www.bankofamerica.com.

For student loan information, call us at 1.800.344.8382 or visit www.bankofamerica.com/studentbanking.

