



Spot the Credit Crisis

LESSON 6: ANSWER KEY

Scenario 1:

Does your credit score go up or down?

Your credit score goes down.

Why does it go up or down?

Falling behind on payments, or making late payments on your auto loan over time, will have a negative impact on your credit score.

If your score goes down, how can you fix it?

To fix your credit score, make all payments in full on time going forward, and check your credit score and report periodically to ensure that your positive habits are impacting your score. If you cannot afford to make the payments, consider selling or trading in your SUV for a model you can afford.

Scenario 2:

Does your credit score go up or down?

Your credit score goes up.

Why does it go up or down?

Charging your monthly cell phone bill on your credit card and paying off the balance immediately demonstrates to lenders that you utilize credit and handle your credit accounts responsibly.

If your score goes down, how can you fix it?

N/A

Scenario 3:

Does your credit score go up or down?

Your credit score goes up.

Why does it go up or down?

Paying back your student loan ahead of time demonstrates responsible use of credit. It also helps to lower your credit utilization ratio (the percentage of available credit you're using).

If your score goes down, how can you fix it?

N/A



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Scenario 4:

Does your credit score go up or down?

Your credit score goes down.

Why does it go up or down?

Charging up to your credit limit on accounts can impact your credit score negatively, as it increases your credit utilization ratio—that is, it shows you're using a higher percentage of available credit. The lower the credit utilization ratio, the better.

If your score goes down, how can you fix it?

You can fix it by paying off your balance as aggressively as possible, making payments on time and charging less than your credit limit going forward.

Scenario 5:

Does your credit score go up or down?

Your credit score goes down.

Why does it go up or down?

It has a negative impact on your credit score because each time you apply for a card, the inquiry goes on your record. Opening too many accounts over a short period of time demonstrates that you may be using credit unwisely.

If your score goes down, how can you fix it?

To fix your score, refrain from opening additional accounts for the next several months, make payments on time and keep balances low on your existing cards. Do not close the accounts you've opened, as this can also negatively impact your score.