

Partnering with Families to Build Economic Security During Emergencies



How Early Care and Education Can Help You Manage Credit and Debt

You may need to access credit or change how you manage your debt during an emergency or natural disaster. Early care and education professionals can partner with you to:

1. Manage your credit and debt during emergencies
2. Manage your credit and debt for long-term goals
3. Track your progress and celebrate your successes



Spotlight On: Credit and Debt

1. Manage Your Credit and Debt During Emergencies

Emergencies and natural disasters can impact your credit. These are times for you to address your immediate financial needs and protect your future financial goals.

- **Credit.** Credit is a loan from a bank or other financial institution that must be repaid by a certain date with interest. As a borrower, you promise to repay the lender by a certain date with interest. Interest is a fee charged for borrowing money.
- **Debt.** Debt is the amount of money owed to a lender. Some common forms of debt are home mortgages, car loans, student loans, personal loans, and credit card balances. You can decide when going into debt is worthwhile and when debt may cause you stress and financial worry.

- **Protecting credit during emergencies.** Many lenders have announced new policies and procedures to help borrowers affected by the current national health emergency.
 - Some lenders are providing loan extensions or a reduction in interest rates. Some are temporarily lowering or pausing payments, which is called forbearance.
 - Some lenders are not reporting late payments to credit reporting agencies.
 - Some lenders are waiving late fees.
 - Make sure you contact your lenders to explain your situation and ask what new policies they have in place. Also, make sure to get confirmation of any agreements in writing. Keep a written record of all conversations with the lender, including dates, times, and the customer service employee's ID number or name.
- **The CARES Act.** The recently passed Coronavirus Aid, Relief, and Economic Security (CARES) Act places special requirements on companies that report families' payment information to credit reporting companies.
 - These requirements apply if you are affected by the national health emergency and if your creditor makes an agreement with you to defer a payment, accept partial payments, delay a delinquency, modify a loan, or provide other relief.
 - Visit the Consumer Financial Protection Bureau (CFPB) website to learn more about credit reporting under the CARES Act.
- **Free financial coaching.** Credit counselors or financial coaches can help you make important financial decisions that work best for you. Your early care and education professional can work with you to find a financial coach in your community.
 - The Association for Financial Counseling & Planning Education (AFCPE) is offering free virtual financial counseling to anyone whose income or budget has been negatively affected by the national health emergency. You can work with an AFCPE-certified professional to address your unique situation and needs. Visit the Yellow Ribbon Network website to learn more.

2. Manage Your Credit and Debt for Long-Term Goals

- **Credit reports.** Banks and companies that lend money report information to credit bureaus about your personal payment history and how you have used credit in the past. This information creates your credit history, credit report, and credit score. Your credit report and credit score play an important role in your future financial opportunities.
 - A credit report records your credit history and financial reliability. Credit reports are used when you apply for a credit card, a house loan, or even when you apply for a job in some states.

- You are entitled to one free credit report per year from each of the three major credit bureaus: Equifax, Experian, and TransUnion. Currently, these credit bureaus are offering free weekly reports to help you manage your credit history during this emergency. You can access your credit report and review the information on each report.
- Go to AnnualCreditReport.com to request a free credit report.
- **Credit score.** Credit bureaus, also called credit reporting agencies, use the information on your credit report and a formula to create your three-digit credit score.
 - When you apply for credit, a financial lender uses this score to help decide whether or not to offer you a loan and how much interest you should be charged.
 - A high credit score means you are considered low risk for a loan and you will likely receive a loan you apply for. A lower credit score means you are considered a higher risk and you will be less likely to receive a loan or a low-interest rate.
 - Your credit score is continually changing because the information in your credit history changes as you make financial decisions. When you take on fewer loans and repay debt on time, your credit score is likely to go up.
- **Managing debt.** You can create a budget for repaying your debt. It is important to repay debt on time so you can avoid additional fees that make payments much more expensive. Repaying debt on time also helps to protect your credit history.
 - Think about when and how much money you receive each month from your paycheck, financial aid, unemployment insurance, or other sources.
 - Then figure out how much money you have left after paying for housing, food, and other necessities. You can use this leftover money to pay down a loan.
 - Use the [Make a Budget Worksheet](#) from the Federal Trade Commission website if you want a template for creating a budget.
 - You can reach out to your early care and education professional for help with managing your debt or creating a budget.
- **Learn more.** To learn more about credit and debt, see [Credit, Loans, and Debt](#) from [Consumer.Gov](https://www.consumer.gov).

3. Track Your Progress and Celebrate Your Successes

Early care and education professionals can follow up with you about your progress toward managing credit and debt to address your immediate financial needs and long-term goals. Celebrate your successes!

Other Family Tip Sheets about building your family's economic security during emergencies are available. Check with your early care and education professional.

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