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Commentary

# Short Note on Credit

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## DESCRIPTION

Credits are the ability to borrow money or access goods and services with the understanding that you will pay later.

Lenders, merchants, and service providers (collectively referred to as creditors) create credits based on their confidence that they can trust to repay what they have borrowed and the cost of financing that may apply increase. You are considered credible or "good credit" as long as the creditors consider you worthy of their trust.

The term "credit" was first used in English in the 1520s. The term comes from "Central French credit (15c.)" Belief, trust", from the Italian credito, from the Latin creditum "a loan, something entrusted to another", from the past participle credit "to trust, entrust". commercial meaning of "credit" "originally equals to" English (creditor is [from] mid-15th century)" L he derivative term "credit union" was first used in 1881 in American English; the term "credit rating" was introduced first used in 1958.

Centuries ago, creditors could judge your credit worthiness solely based on your reputation, but this method is clearly subjective and prone to error, manipulation and bias. Today, creditors prefer a more objective approach. In the United States, they often look at your credit history your loan and repayment record - as the first step in determining whether to grant you credit.

Your credit history is summarized in files called credit reports, compiled by three independent credit reporting agencies: Experian, Trans Union, and Equifax. Banks, credit unions, credit card issuers, and other creditors voluntarily report your loan and repayment information to the credit bureaus.

The information on your credit report includes:

- The number of credit card accounts you have, your loan limit and current balance
- The amount of any loans you took out and the amount you repaid pay
- If your monthly payments to accounts are made on time, late or completely missed
- More serious financial failures like foreclosure, car acquisition steam and bankruptcy

Bank loans make up the majority of existing loans. The traditional view of banks as an intermediary between savers and borrowers is wrong. Modern banks are about credit creation. A credit consists of two parts, a credit (money) and a corresponding debt, which must be repaid with interest. Most of the money in the UK economy is created as credit. When a bank makes a loan (that is, makes a loan), it writes a negative entry in the Balance Sheet's Liability column and a positive amount corresponding to the Assets column. Assets are the flow of income from loan repayments (and interest) from trusted people. When the debt is fully repaid, credit and debt are wiped out and money disappears from the economy. In the meantime, the debtor receives a positive cash balance (used to buy the house), but also a corresponding negative debt that will be repaid to the bank during the period. Most of the credit generated is used to buy land and real estate, causing inflation in these markets. This is the main driving force of the business cycle.

### Revolving credits

Revolving credits have a maximum credit limit and you can charge a fee up to that limit. You must pay a minimum monthly payment, otherwise the unpaid amount can be any portion of the unpaid fee up to the full amount. If you make a partial payment, either carry over the remaining balance or repay the debt. Most credit cards are revolving credits.

### Charge cards

Once commonly issued by business-only retailers, charge cards are now relatively rare. Charge cards are used like credit cards, but you can't carry your balance with you. You have to pay all fees in full each month.

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## Service credits

Contracts with service providers such as gas, electricity, cable and internet providers. Mobile company; gym has a loan contract. These companies provide monthly services with the understanding that they will pay later. Modern credit scoring systems, including the latest versions of FICO scores and Vantage Score, allow payment history for services to be included in credit scores, but these payments are not always reported to credit bureaus. The Experian Boost program allows you to share your mobile payment records with utilities and include them in your credit score based on Experian data.