Get Your Credit Back on Track

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What is Credit?

• “The provision of money, goods or services with the expectation of future payment” – webster.com

• A credit report is the financial report card for adults
  – Consists of personal identifying information
  – Scores
  – Credit Summary & History
### FICO Credit Score

<table>
<thead>
<tr>
<th>Range of Scores</th>
<th>Paper Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>850 = Outstanding</td>
<td>730 and up = A+</td>
</tr>
<tr>
<td>700 = Average</td>
<td>680-729 = A</td>
</tr>
<tr>
<td>300 = Lowest</td>
<td>640-679 = B</td>
</tr>
<tr>
<td></td>
<td>600-639 = C</td>
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<tr>
<td></td>
<td>550-599 = D</td>
</tr>
<tr>
<td></td>
<td>549 and below = E</td>
</tr>
</tbody>
</table>
Benefits of Good Credit

• Approved for loans and credit cards
• Cheaper interests rates
• Better job prospects
• Special Offers
Ramifications of Bad Credit

• Denied loan applications
• Difficulty getting apartment or house
• Denied employment opportunities
• Higher interest rates on approved applications
• Shorter borrowing terms
What Makes Your Score?

35% = Payment History
30% = Capacity
15% = Length
10% = Accumulation
10% = Mix
Credit Score Ingredients

- Payment History: 35%
- Capacity: 30%
- Length: 15%
- Accumulation: 10%
- Mix: 10%
Payment History

How You Pay

Public Records:
- Bankruptcy
- Foreclosures
- Repossessions
- Judgments
- Garnishments
- Tax Liens

Collections

Late Pays
- Current
- Previous
Capacity

- Revolving Debt
  - Credit Cards
  - Lines of Credit
  - Home Equity Lines of Credit

- Every % of Capacity owed will lower the score by 1 point
- Every % of the Capacity paid will raise the score by 1 point
Capacity

Increase by:

– Request credit limit increases
– Pay down credit card balance
– Have one or two other revolving lines
– Consolidate
  • Transfer balances to cards with better rates like CFCU’s credit cards
  • Don’t close cards because it will lower your capacity
Length

• Determined by:
  – Oldest trade line
    • Oldest active credit card or line of credit
  – Average age of other trade lines
    • Length of time from opening on all revolving debt

• Closing oldest trade line will shorten your average “age” of your trade lines
Accumulation of Debt

• Inquiries
  – Voluntary
    • Lists for 24 months
    • Scores for 12 months
    • Each one = 5 pts
      – Like ones = 1 pt
  – Involuntary
    • Doesn’t impact score

• New Trade Lines
  – Looks at the last 0 to 18 months
Mix of Credit

• Revolving
  – Majority of debt should NOT be revolving

• Installments
  – Moving revolving debt to installments can RAISE your score by 20-25 points

• Mortgage
  – Report Home Equity Lines of Credit as real estate and not revolving can increase score
Keeping an Eye on Your Credit

• Check your credit report at least once a year
  – annualcreditreport.com
  – You can request report at no cost once a year
    • Scores are additional fees

• Enroll in identity theft prevention programs
What Impacts Your Score?

Negative Impacts

• Missing payments
• Maxing out cards
• Shopping excessively for credit
• Opening numerous accounts in a short time
• Revolving debt is greater than Installment debt
• Closing cards
• Borrowing from Finance Companies

Positive Impacts

• Pay off or pay down credit cards
• Move Revolving debt to Installment debt
• Make payments on time
• Only open necessary accounts
• Acquire a solid credit history with years of experience
Q & A time