



*Communication*  
**FEDERAL CREDIT UNION**

connecting with you™

# 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](http://webster.com)
- A credit report is the financial report card for adults
  - Consists of personal identifying information
  - Scores
  - Credit Summary & History

# FICO Credit Score

## Range of Scores

850 = Outstanding

700 = Average

300 = Lowest

## Paper Grade

730 and up = A+

680-729 = A

640-679 = B

600-639 = C

550-599 = D

549 and below = E



## 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

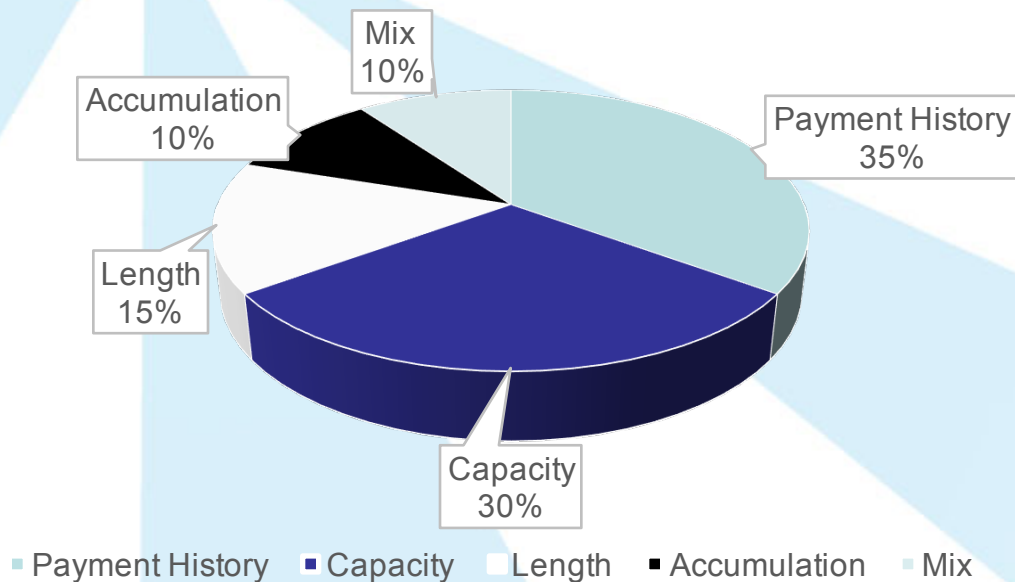
30% = Capacity

15% = Length

10% = Accumulation

10% = Mix

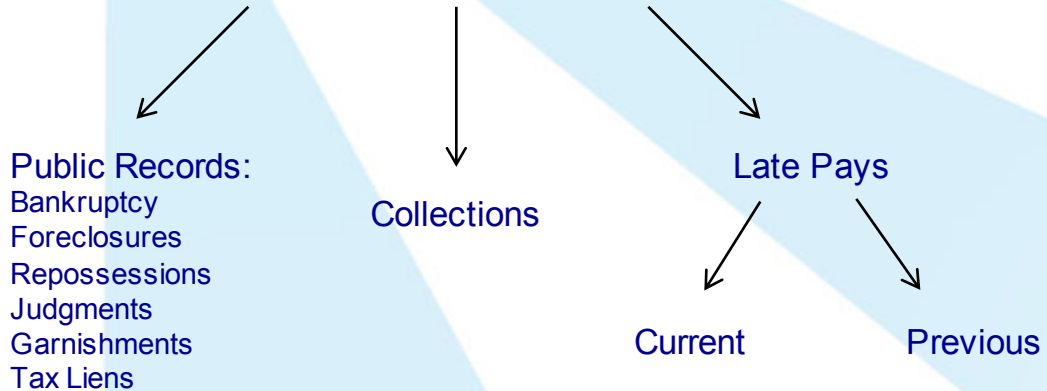
## Credit Score Ingredients





# Payment History

## How You Pay







## 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](http://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



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**Q & A time**