



Max Out Your Credit Knowledge

Sponsored by Elevations Credit Union

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Presented by

Laura Zavala & Lauren Barbary

If you love where you live, it matters where you bank.



Agenda

- What is Credit?
- What Composes My Credit Score?
- Bankruptcy Impact!
- How Long Can Negative Information Report On My Credit?
- How To Start or Rebuild Credit
- Resources

Basic Terminology

- **FICO:** An acronym that stands for “Fair Isaac Corporation.” They are a research firm that has developed the credit scores that are used by most lenders in the U.S.-in other words they created the math problem or metrics
- **Delinquency:** A term used by lenders to reflect a borrower that is late on their loan payment. Lenders report delinquency to the credit bureaus in 30-day increments (30-day, 60-day, and 90+ day delinquency, etc.)
- **Trade Line:** Lender-speak for an individual loan account that shows up on your credit report.
- **Installment Trade Line:** Loans on your credit report that have a specific, fixed number of payments assigned to them (a car loan, first and second mortgages and personal loans)
- **Revolving Trade Lines:** Loans on your credit report that do not have a fixed number of payments assigned to them (credit cards, home equity line-of-credit loans and overdraft loans)
- **Underwriting:** The process a lender goes through to decide on whether or not to approve a loan request. Many factors, to include your credit score, go into underwriting a loan request.
- **A “Hard” credit report Inquiry:** When you go to a lender or other provider of a service (an apartment complex or cell phone company) asking for a loan or service and they pull your credit report in order to make their decision.
- **A “Soft” credit report Inquiry:** When a current lender, potential lender or service provider does a “behind the scenes’ look at your credit.

Financial Institution Differences

Credit Unions	Banks
<ul style="list-style-type: none">•Members/Owners•Not-for-Profit•Cooperative•Volunteer Board•Common Bond•NCUA Insurance	<ul style="list-style-type: none">•Customers•For Profit•Competitive•Paid Board•Open to Public•FDIC Insurance

You and your family and friends can join a Credit Union for low cost financial services and loans.

Credit Unions

Convenient Nationwide Access

5,000 Credit Union
Service
Centers/Branches



30,000 CO-OP ATM
Network ATMs



More locations than ANY Bank

What is Credit?

Credit- when goods, services or money is received in exchange for a promise to pay a definite sum of money at a future date

Credit is derived from the Latin word “credo” meaning “I believe”

How does my credit score impact my life ?

- Buying a house or vehicle
- Loan rate and terms
- Leasing an apartment
- Car Insurance
- Landing on the desired job and/or professional licensing
- Starting a new Business
- Relationships – What's your dowry ?

Types of Credit

- Unsecured Loans
- Secured Loans
- Mortgage Loans
- Revolving



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Underwriting Decisions

The Three C's of Credit:

Character, Capacity, and Collateral



What's a good score?

There is no *standard* in scoring

FICO scores range from 300 to 850

Score	Credit Rating
Above 780	Outstanding
740-780	Excellent
690-740	Good
620-690	Fair
Below 620	Poor

How your credit score affects your pocket

\$22,000 Car Loan 60-month Term

Credit score	750	670	600
Rate	3.49%	5.49%	16.49%
Monthly Payment	\$400	\$420	\$541
Paid over life of loan	\$24,000	\$25,200	\$32,444

How your credit affects your pocket

\$300,000 Home Loan 30 year fixed

Credit score	750	670	600
Rate	3.875%	5.875%	9.50%
Monthly Payment	\$1410	\$1774	\$2522
Paid over life of loan	\$507,600	\$638,640	\$907,920

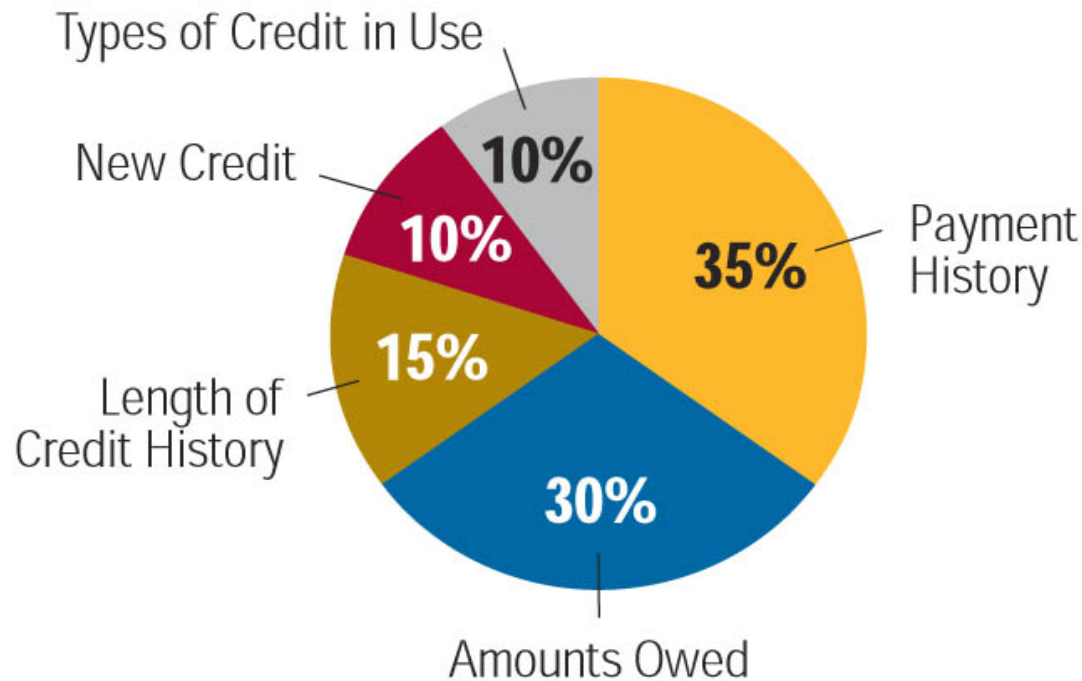
How your credit affects your pocket

\$1,500 credit card balance with a 24%

- \$80/month - 2 years
- \$200/month - 8 months
- **minimum payment of \$30/month - 15 years**
(that's \$5,400)

Those who understand interest earn it,
those that do not pay it!

What is my credit score comprised of?



Payment History – 35%

- Pay bills on time
- If you have missed payments, get current and stay current
- **If having trouble making payments, contact your financial institution or creditors**

Amount Owed – 30%

- Amounts Owed = Capacity
- **Keep revolving credit balances low or null**
- Pay off revolving debt rather than move it around
- Don't open new credit cards just to increase available credit

How can I maximize this percentage?

Length of Credit History – 15%

If credit history is lean, don't open a lot of new accounts too rapidly

No credit is better than bad credit

New Credit – 10%

- Avoid opening multiple new accounts at the same time
- Rate shop for mortgage and car loan within a focused period of time
- Re-establish credit history if you have had problems – long-term strategy

No credit is better than bad credit

Types of Credit in Use – 10%

- Apply for and open new accounts only as needed
- Have 1 or 2 credit cards and manage them wisely
- **Be aware of your product mix – e.g. too many credit cards or unsecured debt?**

Bankruptcy

- Poor decisions can bankrupt you, ruin your character, your ability to land on the great job, and your ability to borrow money in the future



Raghib "Rocket"
Ismael
former Dallas Cowboys wide
receiver



Bad financial decisions or hiccups in life...

- Bankruptcy - 10 YEARS
- All other delinquent accounts - 7 years
- Derogatory Public Records -7 years
- No time limit on criminal convictions

Can I Dispute old or inaccurate charges?

Begin Building Your Credit!

- Open savings/checking accounts and use them responsibly & build loyalty
- Have a co-signer
 - Responsibilities of the co-signer
- Make your payments on time
- Apply for a share secured credit card or car title secured loan

Resources

Free Credit Report?

- Under the FCRA you are entitled to a free credit report annually from each reporting agency
- Visit annualcreditreport.com
- Avoid “bait and switch” free credit report offers

Resources

Credit Bureaus – independent agencies that gather information and share information to others to build your credit report. Three providers are:

- Equifax
- Experian
- TransUnion

Review your credit report yearly by requesting a free credit report each year from each credit bureau agency

FREE: www.annualcreditreport.com



Resources

- Accel Members Financial Management at elevationscu.com
- myfico.com/crediteducation
- FoolProof at elevationscu.com
- RealityCheck-Up

Identity Theft is a credit killer

To stop pre-approvals, visit optoutprescreen.com
or call 1.888.567.8688



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Make what is import to you Important!

- Video – A typical day on a college campus
–http://www.youtube.com/watch?v=I_ZbOPnL7_M
- Listen for: Products discussed
- Analyze: College student's loan term knowledge



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Credit In America

According to FrontLine, a PBS program:

The credit card industries income from finance charges and fees was \$230,000,000,000 in 2012. CitiGroup's profits alone were 2.5 times that of McDonald's

Over 97% of card holders under the age of 25 make no more than the minimum payment on each billing cycle.

Credit In America

According to Frontline, a PBS program:

- The average American family has 8 credit cards
- 90 Million Americans have credit card debt (Profitable Customers or Revolvers)
- \$8,000 is the average credit card debt that middle class families carry
 - Make minimum 2% payment rather than payoff debt and save in interest
- 55 Million Americans payoff their credit cards bills in full (Deadbeats)

Credit In America

According to NEFE, the National Endowment for Financial Education:

7 out of 10 undergraduates have substantially damaged their credit rating by the time they graduate from college.

8 out of 10 undergraduates say the reason they leave school before graduation is debt and financial issues related.