

Credit Score Management Seminar

*Manage, protect and
improve your Credit Score!*

- What is a Credit Score
 - How Lenders Use Your Credit Score
 - How Your Credit Score Impacts You
 - What Makes Up Your Credit Score
 - What Hurts Your Credit Score
 - What You Can Do to Improve Credit Score
-
- **Disclaimer:** The Fair Isaac Corporation scoring model is proprietary to the Fair Isaac Corporation. Points referenced in this presentation are approximate guesstimates based on credit score simulator calculations.

How Do Credit Scores Impact You?

Improving your credit score can help you:

- Lower your interest rates
- Speed up credit approvals
- Reduce deposits required by utilities
- Get approved for apartments
- Get better credit card, auto loan, and mortgage offers
- Get lower insurance premiums:
auto/home/mortgage

Savings to You!

620 Score		720 Score	
Loan Amt.	\$25,000	Loan Amt.	\$25,000
Term	60 Months	Term	60 Months
Rate	15.49% *	Rate	3.44% *
Payment	\$601.20	Payment	\$454.12
Total Pmts.	\$36,072	Total Pmts.	\$27,247

\$36,072 - \$27,247 = \$8,825 Savings!!!

*Arbitrary interest rates not reflective of any particular financial institution's interest rate.

What are Credit Scores?

- The Fair Isaac Corporation developed a scoring model that calculates the credit score which is used by the 3 major credit bureaus...Experian, Equifax, and TransUnion
- A credit score is a number lenders use to help them decide:

“If I give this person a loan or credit card, how likely is it that I will get paid back on time?”

What Are Credit Scores?

- A credit score is a 3-digit number that ranges approximately from a low of **300 points to a high of 850 points.**

300 ←————→ **850**

The higher the score, the lower the risk!

The higher the score, the lower the interest rate!

The lower the interest rate, the more money you save!

Source: Fair Isaac Corporation: www.myfico.com

What Are Credit Scores?

- A credit score is a snapshot of your credit risk at a particular point in time
- Your score can change whenever your credit report changes
- Changes generally appear on the credit report within 3 months

Source: Fair Isaac Corporation: www.myfico.com

What Are Credit Scores?

- For a score to be calculated, your credit report must:
 - Contain at least one account that has been open for six months or more
 - At least one account that has been updated in the past six months

Source: Fair Isaac Corporation: www.myfico.com

What are Credit Scores?

Scores may differ with each agency due to:

- The timeframe in which information is recorded on the credit reports by the bureaus
- The way lenders and businesses report information to the credit reporting agencies
- The agencies may also record the same information in different ways

Source: Fair Isaac Corporation: www.myfico.com

How is your score determined?

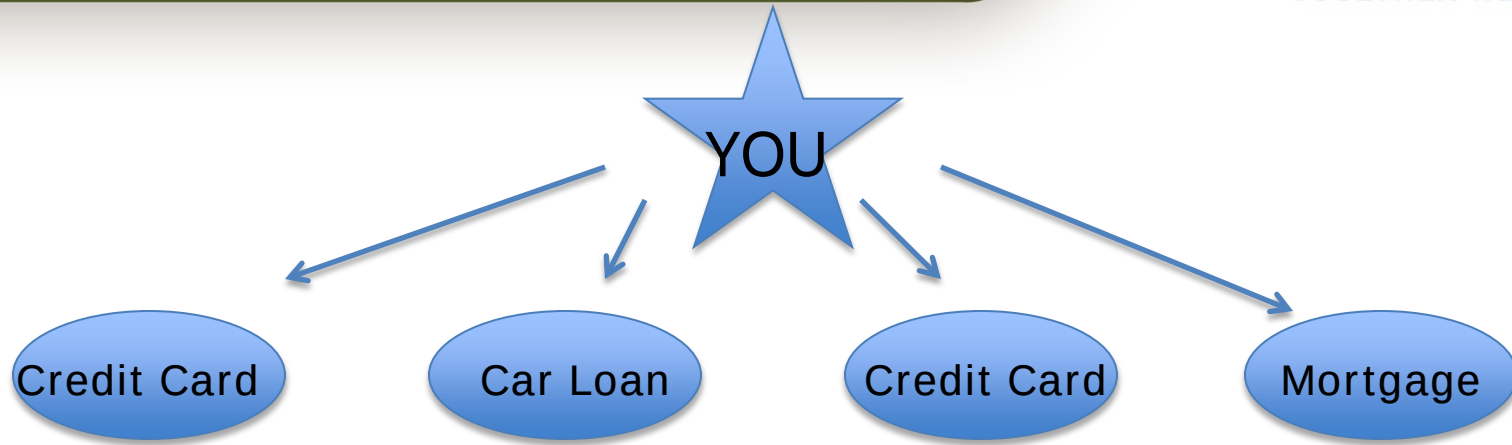


Public Service
Credit Union

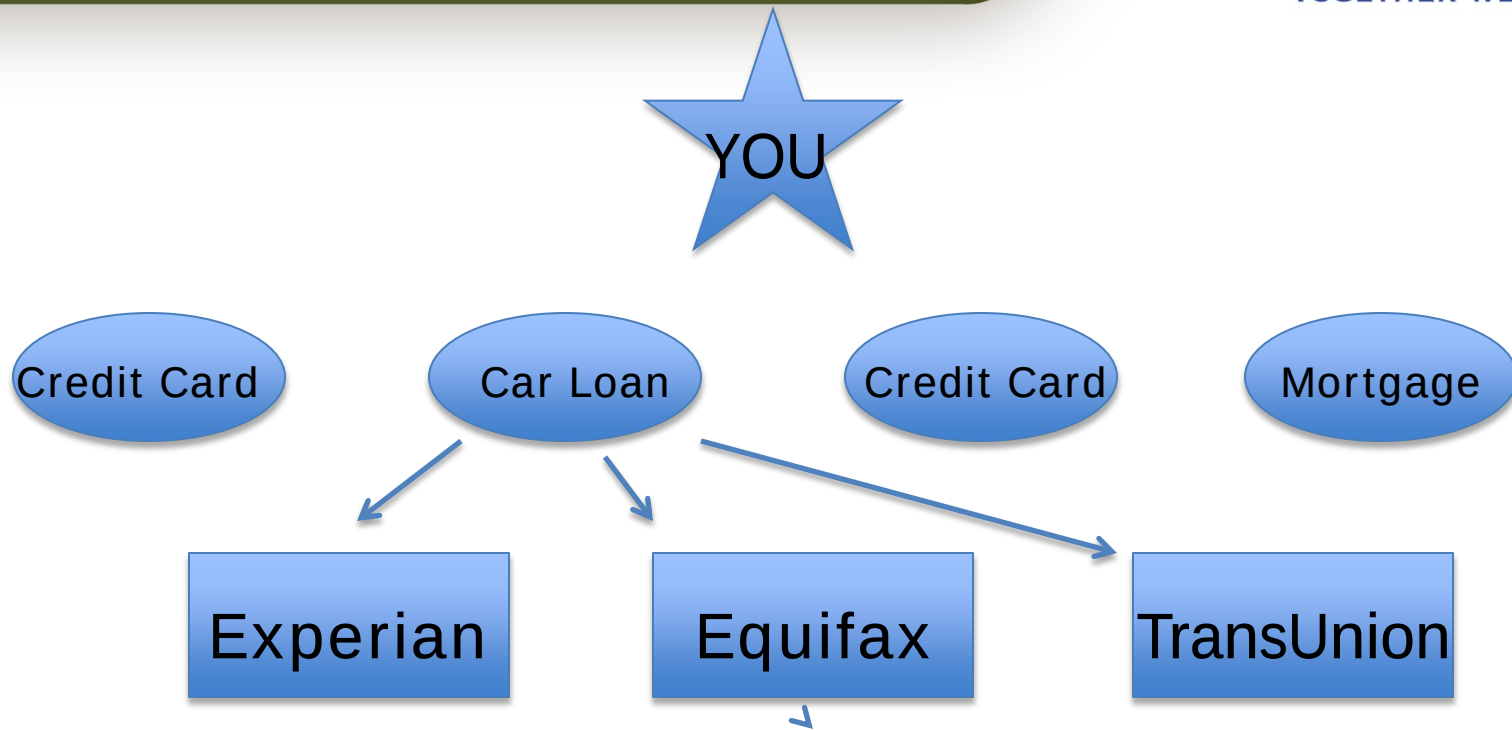
TOGETHER WE'RE BETTER®



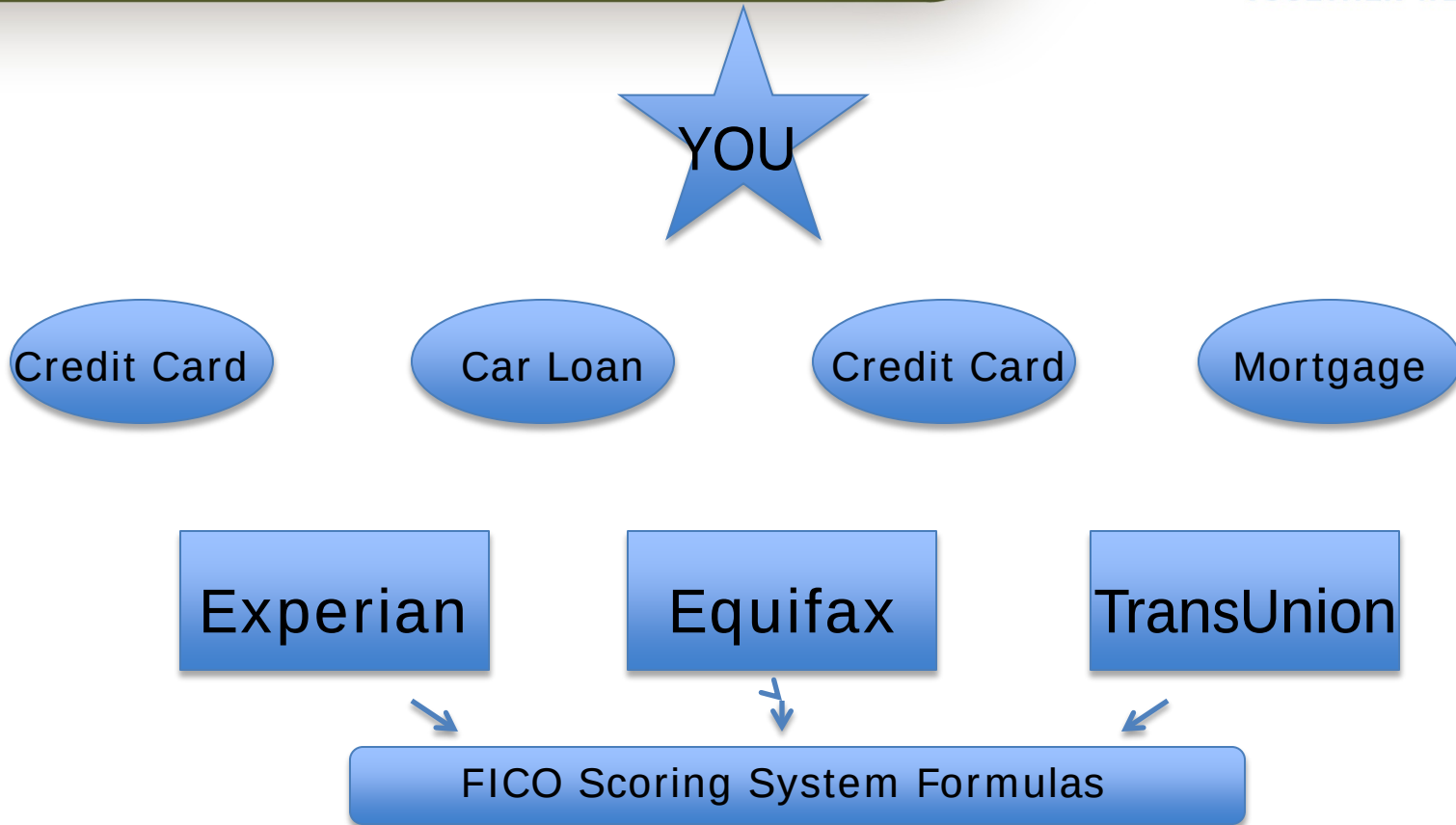
How is your score determined?



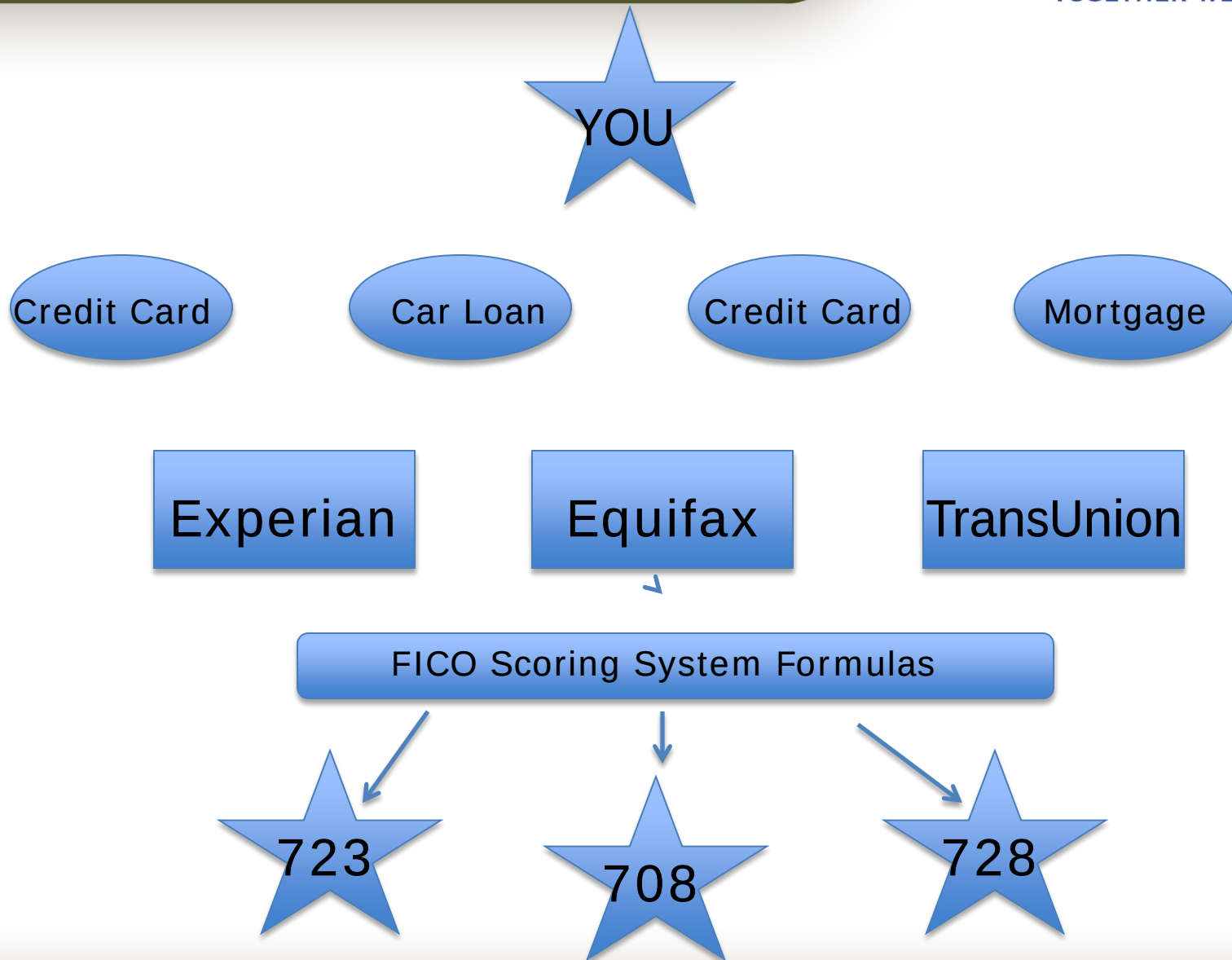
How is your score determined?



How is your score determined?



How is your score determined?



What Makes Up the Credit Score?

Payment History – 35 Percent

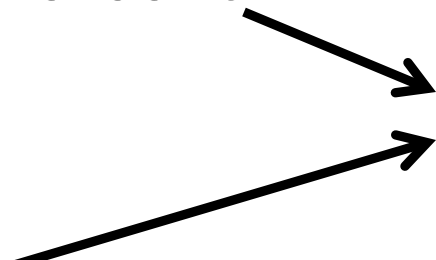
- On-Time Pays
- Delinquencies

Capacity – 30 Percent

- How much of your available revolving limits are you using?

Length of Trade Lines – 15 Percent

- Oldest Trade Line
- Average Age of all other trade lines



**Makes up
65% of
Credit Score**

Source: Fair Isaac Corporation: www.myfico.com

What Makes Up the Credit Score?



Public Service
Credit Union

TOGETHER WE'RE BETTER®

New Credit – 10 Percent

- Inquiries
- New Trade Lines

Credit Mix– 10 Percent

- Revolving
- Installment
- Mortgage

Source: Fair Isaac Corporation: www.myfico.com

What Impacts A Credit Score?

Payment History

Payment History – 35 Percent

- On-Time Pays
- Delinquencies and collection items
- Public records (bankruptcies, judgments, suits, liens, wage attachments, foreclosures, etc.)
- Severity amount of delinquency (how long past due)
- ***30 day late is a 60 point loss, can regain 80 % when current.***

Source: Fair Isaac Corporation: www.myfico.com

What Impacts A Credit Score? Capacity



Person A – 700

Person A has one credit card with a \$500 limit

Scenario: Person A buys \$500 television using credit card

Person A used 100% of their limit and lost at least 50 points, maybe more

New Score: 650

Person B - 700

Person B has several cards with total limits of \$5,000

Scenario: Person B buys \$500 television using credit card

Person B used 10% of their limit and lost at least 5 points

New Score: 695

What Impacts A Credit Score?

New Credit

Understanding New Credit (Inquiries and New Lines)

- **Hard inquiries** when you ask for new credit can drop your score 5 points for 12 months
 - Voluntary inquiries made by you don't affect score
 - Involuntary inquiries don't affect score (Inquiries made by creditors without your authorization...for example: Pre-approved credit cards)
 - Alike inquiries count as one inquiry (Autos or mortgages within a 30 to 45 day period)
- **Opening a new credit line** can drop your score 10 points for 12 months

Source: Fair Isaac Corporation: www.myfico.com

What Impacts A Credit Score?

Age and Mix



Age of Trade Lines

- The scoring system rewards you for a longer credit history and higher average age of lines.

Mix of Types of Credit

- The scoring system rewards you for having multiple kinds of credit. Having both revolving and installment loans will help your score.

Source: Fair Isaac Corporation: www.myfico.com

800 credit score profiles usually include*:

- 7+ trade lines minimum
- 7+ years of credit minimum
- Less than 3 inquiries in last 12 months
- 95% of capacity
- Little to no revolving debt
- Usually has a mortgage (there are exceptions)

*This is an example of what an 800 credit score can reflect. There are variations.

Check Your Credit Reports

(Reports are free, score costs vary)



Get one free credit report per year from each credit bureau:

- www.annualcreditreport.com

Dispute any errors with the specific bureau:

- Equifax: (800) 685-1111
www.equifax.com
- Experian: (888) 397-3742
www.experian.com
- TransUnion: (800) 888-4213
www.transunion.com

Learn more about scores here:

- www.myfico.com

Questions & Answers

