Secrets of the Credit Score

UCCS Employee Seminar 10/21/2014

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Question!!

What do

- credit reports,
- the number of and use of credit cards,
- inquiries,
- credit payments and
- credit history all have in common?



Credit Bureaus

- Three major credit bureaus
 - Experian
 - TransUnion
 - Equifax
- Credit information is reported to bureaus
- Not all creditors report to all 3, except fraud
- Regulated and enforced by the Federal Trade Commission & Fair Credit Reporting Act



The Fair Credit Reporting Act

- You must be told if information is used against you
- You may access your own file
- You can dispute inaccuracies
- Outdated information must be removed
- Access to your file is limited



First Things First

- Get your credit report @ <u>annualcreditreport.com</u>
- Verify information / check for errors
- Any accounts you did not know about?
- Collection accounts?
- Public records, other derogatory credit?

**Strategy – rotate bureaus every four months



Negative Impacts on Your Score

- Charge-offs / Collection Accounts
- Bankruptcy / Foreclosure
- Tax Liens
- Lawsuits or Judgments
- Too many credit cards / balances too high
- Excessive inquiries



How Long Does Information Stay?

- Positive information can remain indefinitely
- Negative information –7 years from when first reported
- Chapter 13 reported for 7 years
- Chapter 7 bankruptcy reported for 10 years
- Collection accounts –7 years from date of charge-off



Disputing Errors

- Your right / responsibility to dispute errors
- Credit report provides instructions
- Contact credit bureaus AND creditor
- Send copy of report with error highlighted
- CB agency has 30 days to investigate
- Disputed accounts do not impact score



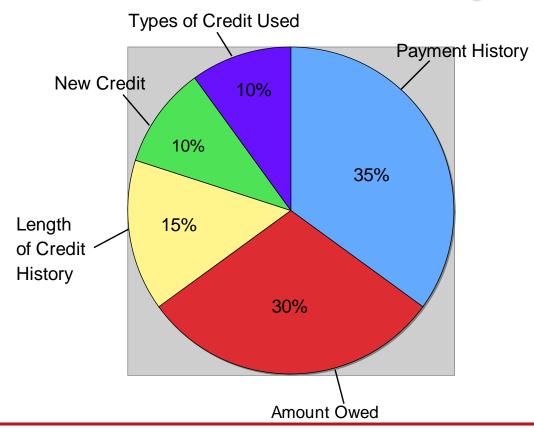
Two Credit Score Companies

- 1. FICO...Range from 300-856
 - ->720-740 = A+ (scale of A+, A, B, C, D)
 - Different versions slight variance
 - Newest 9.0
- 2. Vantage...Range from 500-1000
 - ->900 = A (scale of A-F)



FICO Credit Score Range...300-856

Scores are based on the following factors:





Who Uses the Credit Score?

- Lenders Decision AND Pricing (rates)
- Credit Offers some are really good!
- Insurance companies risk rate policies
- Utility / cell phone companies
- Landlords
- Employers
- Military Security Clearance



Credit Score Monitoring

- Services usually cost \$XX per month
- Careful who you use Soc Sec # privacy
- Credit Karma appears legit!! Broker
- Do you need monitoring? No, unless you
 - o are a victim of fraud;
 - o don't want to use the free credit reports;
 - o are trying to build/rebuild score



Buying a Car?

A buyer puts \$3,000 down on an new auto costing \$28,605 and finances the rest over 60 months. Here's the true bottom line:

Score	Rate	Payment	Cost		
740+	2.99	\$460.08	\$27,649		
690-739	3.99	\$472.49	\$28,349		
660–689	5.99	\$496.38	\$29,782		
620–659	7.75	\$518.01	\$31,080		
590-619	9.25	\$536.89	\$32,213		
500–589	17.75	\$651.75	\$39,105*		
*Difficult to get a loan – some lenders have fees					



Best Ways to Build Credit

- Low-limit credit card
- Limit the number of credit applications
- Share-secured loan
- Co-borrower or co-signer
- Never charge more than you can pay off in full
- Pay on time or early



Financial Difficulties Impact Score

Tilly has a FICO score of 680	Tallulah has a FICO score of 780
6 credit cards – several active, auto loan, mortgage and a student loan	10 credit cards – Five active + auto loan, mortgage and student loan
8 Years of credit history	15 years of credit history
Credit card utilization 40-50% of credit limits	Credit card utilization 15-25% of credit limits
2 slow pays: 90 days 2 years ago on a credit card & 30 days 1 year ago on auto	All payments paid on time
No collections or public records	No collections or public records

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Score After.....

One of these is added	Tilly's score was 680, now	Tallulah' s score was 780, now
Maxing out 1 credit card	650-670	735-755
A 30 day delinquency	600-620	670-690
Settling a credit card	615-635	655-675
Foreclosure	575-595	620-640
Bankruptcy	530-550	540-560

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Cleaning Up Derogatory Credit

- Keep current accounts current
- Pay newest collections first
- Make a spending plan
- Identify how much can go to clean up
- Contact creditors if unable to make minimum payment, before going delinquent



Maintaining/Rebuilding Credit Manage credit cards carefully!!

- Keep balances below 40% of limit
- Pay down but don't close the card
- No more than four cards open
- Resist the department store card opening deals
- When closing cards, keep card open the longest
- Careful with the 0% card transfer game



Making Money w/ Credit Cards

- Be able to live without credit cards
- Look for rewards cards...5% gas; 3% groceries; King Soopers, etc.
- Pay off balance on time every month!
- Watch the fees
- Use <u>https://www.lendingtree.com/?cc=1</u> for comparison shopping



Refinancing Strategies

- Does not hurt the credit score!
- Save money with a lower rate and payment
- No cost
- Easy as a phone call
- Get your score required score disclosure
- Equity? Consider a cash-out refinance and pay down those high rate cards...



Thomas Edison once said...

"The perils of overwork are slight compared with the dangers of inactivity."



Dispute Addresses

Equifax.com P.O. Box 7404256 Atlanta, GA 30374-0256

Experian.com Dispute Department P.O. Box 9701 Allen, TX 75013 TransUnion.com Consumer Solutions P.O. Box 2000 Chester, PA 19022-2000



Resources

Balance – Financial Fitness program https://www.balancepro.net/services/debt.html

SavvyMoney Checkup https://www.savvymoney.com/checkup/Ent

Credit Rebuilding https://www.ent.com/personal/educationcenter/credit-and-debt/credit-rebuiding/creditrebuilding

