



CSB @ Work
To Your Good Credit Workshop
June 2021



- Types of credit
- What makes up your credit score
- Credit bureaus & FICO[®] scores
- Establishing & maintaining credit
- Tips to protect your identity & warning signs of identity theft

Revolving credit:

- There is a limit on the amount you can borrow/purchase and you can borrow/purchase as much or as little as you want – up to that limit
- You can pay any amount between the minimum required payment and the full amount owed
- You pay interest on the outstanding amount owed



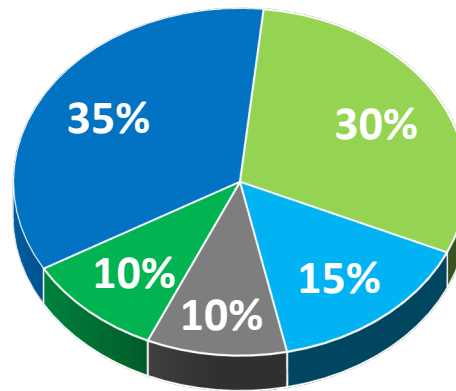
Installment loans:

- A specific amount of money for a specific length of time
- Make fixed monthly payments over the agreed term, which include principle and interest until the loan is paid in full



WHAT MAKES UP YOUR CREDIT SCORE?

- Whether or not you pay your bills on time
- How much money you owe
- How long is your credit history
- Credit inquiries or requests for credit/loans
- Types of credit you have



- Payment History
- Amount You Owe
- Length of Credit History
- New Credit Opened
- Types of Credit You Have

Credit scores are your credit rating.

Usually, the higher the credit score, the lower the interest rate

HOW IS YOUR CREDIT SCORE COMPUTED?



FICO scoring models place a great deal of weight on how recently you had a credit problem!

- A major delinquency in the past year has a 93% negative impact
- A major delinquency between 1-2 years old has about a 60% negative impact
- A major delinquency between 2-3 years old has about a 44% negative impact
- A 3-4 year old delinquency has a 33% negative impact
- Any delinquency older than 4 years has only a 22% negative impact



CREDIT BUREAUS

EQUIFAX[®]

www.equifax.com

 experian.

www.experian.com

TransUnion.^{tu}

www.transunion.com

- The credit bureaus rate your credit each month
- Major consumer credit bureaus are not affiliated with any bank
- You can also get a free credit report at:

credit karma

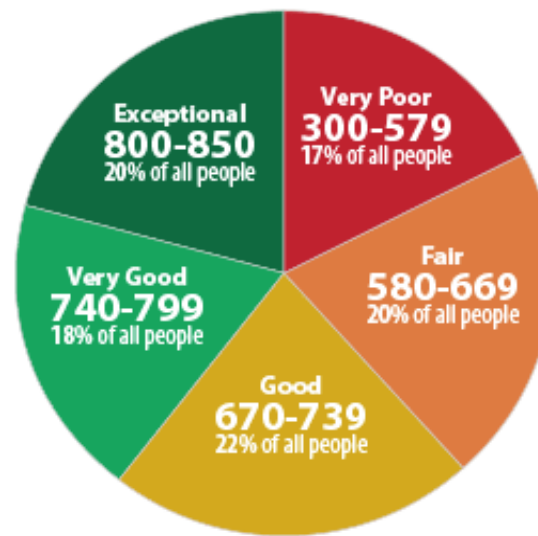
www.creditkarma.com

AnnualCreditReport.com

The only source for your free credit reports. Authorized by Federal law.

www.annualcreditreport.com

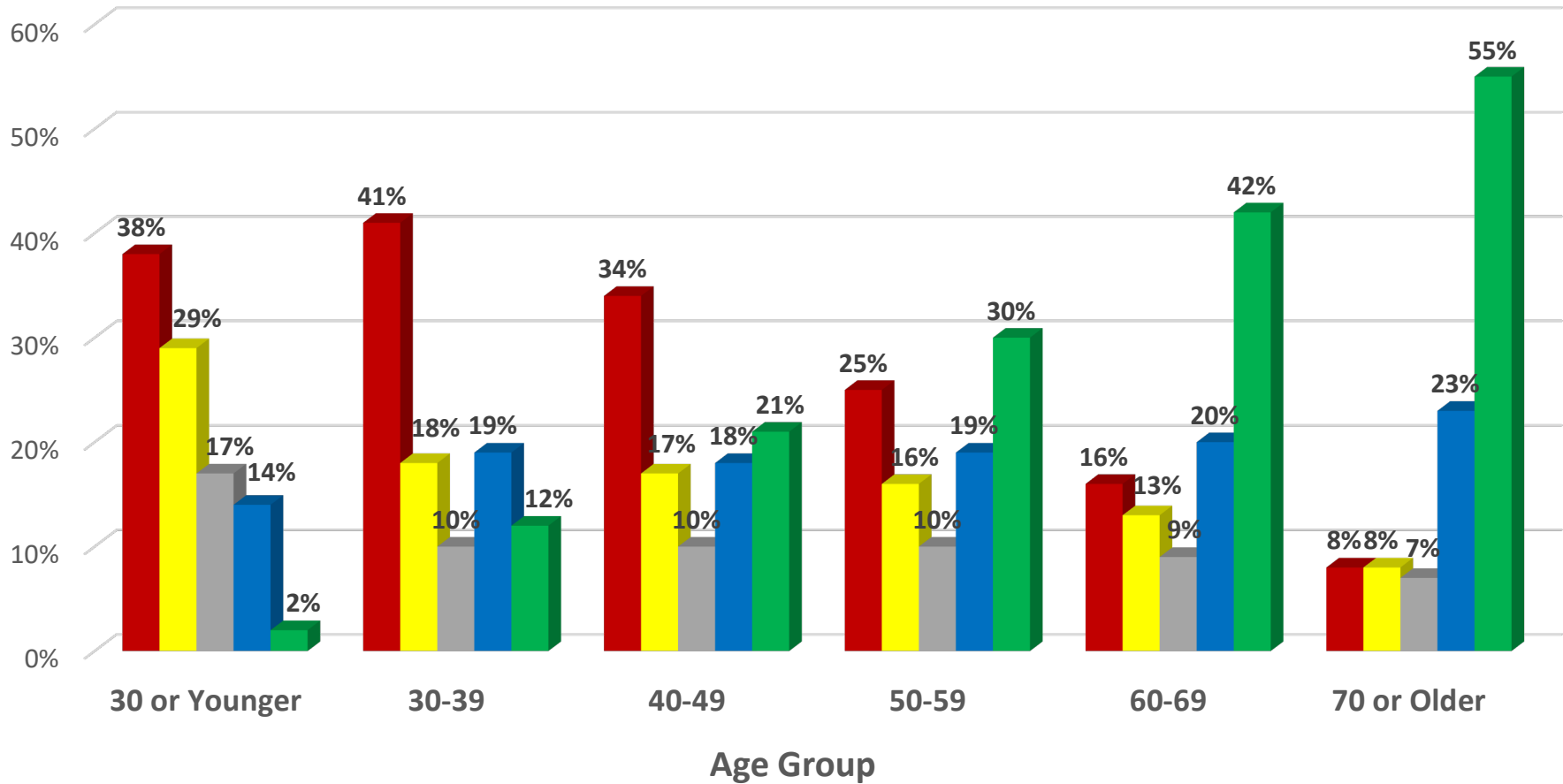
- Credit bureau scores are often called “FICO[®] Scores” because most credit bureau scores used in the U.S. are produced from software developed by... **Fair Isaac Corporation**
- FICO[®] Scores are provided to lenders by the major credit reporting agencies



AVERAGE CREDIT SCORES >

Credit Score by Age

■ <621 ■ 621-680 ■ 681-720 ■ 721-780 ■ >780



Source: Valuepenguin.com - Average Credit Score in America: 2019 Report

WHAT YOUR FICO® SCORE MEANS TO LENDERS >

579 or less



Lenders view you as a very risky borrower

580-669



Some lenders will approve loans with this score

670-739



Most lenders consider this a good score

740-799



Lenders view you as a very dependable borrower

800+



Lenders view you as an exceptional borrower

- 800 or higher - The FICO® Score is in the top 20% of U.S. consumers
- 740 - 799 - The FICO® Score is in the top 40% of U.S. consumers
- 670 - 739 - The FICO® Score is near the average score of U.S. consumers
- 580 - 669 - The FICO® Score is below the average score of U.S. consumers
- 579 or less - The FICO® Score is in the lowest 20% of U.S. consumers

WHY DO I NEED GOOD CREDIT?

- **EXAMPLE** – Say you want to buy a \$25,000 car and you want to pay it off in 5 years (60 months). Here is the difference a good credit score can make in your monthly payments:

CREDIT SCORE	RATE	MONTHLY PAYMENT
640 - 659	7.29%	\$498
730+	2.69%	\$446

- **BOTTOM LINE** – Assuming interest rates above, if you have exceptional credit, you could save approximately **\$52** a month on your car payment. If you have bad credit, you could pay over **\$3,160** more for your car during the 60 month term!





- Pay your bills on time:
 - Making payments on time has the heaviest weight in achieving a good score
- Pay down and pay off revolving debt:
 - This will decrease the ratio of used credit versus total available credit, which will increase your score
 - Aim to use less than 30% of your available credit limit at any given time
- Ensure credit limits are reported correctly:
 - Sometimes credit limits are reported as lower than the actual amount
 - This can artificially increase your credit usage percentage, which could decrease your score





- Ensure derogatory items are removed:
 - After 7 years, derogatory items should no longer be reported
 - Bankruptcies stay on your credit report for 10 years
- Consider using an old card:
 - The length of one's credit file is important to establishing good credit
 - Consider making a regular monthly payment with an older card and paying it off when the statement arrives
 - Closing old accounts can hurt you by reducing the amount of credit available



CREDIT SCORES > TRUE OR FALSE?

THEORY	REALITY
Once a low credit score, always a low credit score.	FALSE – Your credit score is just a snapshot of what your credit looks like at a point in time. Over time, your score can change based upon how you manage credit.
A high credit score guarantees that I'll get approved for a loan.	FALSE – Your credit score is just one of the factors lenders use to make credit decisions. Other factors, such as income, etc., are also taken into account.
My credit score is going to get worse if I apply for credit.	MAYBE – But probably not by much. If you apply for multiple credit cards at the same time, your credit score is likely to decrease. However, if you search for, say, the best car loan from several lenders when you're buying a car, your credit score won't be affected much (if at all).

- Better interest rates
- Faster credit decisions
- Less stress



Maintain your good credit

TIPS TO PROTECTING YOUR IDENTITY >

- Review your credit card and bank statements frequently. If there are any unfamiliar transactions, let your bank know immediately.
- If your credit card or bank statement is late, call your bank right away. Sometimes fraudsters will steal your card then change the billing address so you won't notice (utilizing online banking can help mitigate this risk).
- Only provide your Social Security number if you initiated the call or email. Never carry your Social Security card on your body.
- Shred any documents that contain personal information. Credit card offers, bank statements and insurance forms are all useful to fraudsters.
- Check your credit report once a year to make sure it's accurate.



If somebody steals your identity, it can have a huge impact on your credit score

- You see withdrawals from your bank account that you can't explain.
- You don't get your bills or other mail.
- Merchants refuse your checks.
- Debt collectors call you about debts that aren't yours.
- You find unfamiliar accounts or charges on your credit report.
- Medical providers bill you for services you didn't use.
- Your health plan rejects your legitimate medical claim because the records show you've reached your benefits limit.
- A health plan won't cover you because your medical records show a condition you don't have.
- The IRS notifies you that more than one tax return was filed in your name, or that you have income from an employer you don't work for.
- You get notice that your information was compromised by a data breach at a company where you do business or have an account.



- Pay all your bills on time
- Pay off debt as quickly as possible
- Set-up your bills on an automatic bill payment system so you always know they'll be paid by the due date
- Make at least the minimum payment each month
- Get your free annual credit report
- Review your credit for inaccuracies

Credit mistakes stay on your credit report for 7 years, so make good decisions now to avoid having that long-term drag on your credit



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THANK YOU!

<https://www.cambridgesavings.com/csb-at-work>

