

UNDERSTANDING YOUR CREDIT SCORE

There is a lot of confusion around credit reports and credit scores- what they are used for, how they are calculated and why they are so important to your financial future. Credit scores are used by lenders, insurers, and even employers to determine if you are a worthwhile risk. They are calculated based on the information reported to each repository by your creditors. A good credit score can get you lower interest rates, lower insurance premiums, speed up credit approvals, reduce utility deposits, and help you get approved for apartment rentals. Scores can range from 350 to 850.

There are three national credit reporting repositories and each has its own scoring model. Equifax uses the Beacon score, Trans Union uses the Empirica score, and Experian uses the FICO score. All three scoring models were developed by FICO. These repositories track your loans (credit cards, installment loans, mortgage loans, auto loans, etc.) to see how long they've been open and whether you've paid them on time.

THERE ARE FIVE FACTORS THAT DETERMINE YOUR SCORE:

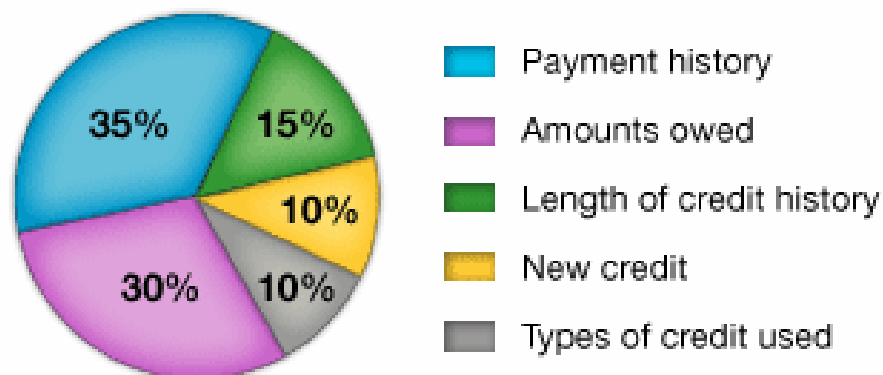
Payment history accounts for 35% of your score – Have you paid your bills on time?

Amounts Owed accounts for 30% of your score – The amount you owe on credit cards compared to your credit limit. For example, if your credit limit is \$1000 and you owe \$995, you are near your maximum limit. This will lower your credit score.

Length of Credit History accounts for 15% of your score – A longer credit history will help increase your score.

New Credit accounts for 10% of your score – Don't apply for several new accounts if it's not necessary. Creditors post inquiries each time you apply for credit, which lowers your score.

Types of Credit Used accounts for 10% of your score – It is best to have a healthy mix of credit types on your credit report, such as credit cards, installment loans, mortgages, auto loans, and personal lines of credit.



IMPORTANT INFORMATION REGARDING CREDIT CARDS:

The No. 1 rule is: Pay off your balance every month. Otherwise, you'll pay interest on your purchases. Make your payments by the date and time that they're due. Late fees are \$29 or more. A couple of late payments will trigger an interest rate increase. Because late and missed payments lower your credit score, the interest rate can go up on your other credit cards and for future loans.

IMPORTANT INFORMATION REGARDING AUTO AND SECURED LOANS

When you buy a car, furniture or appliances on an installment plan, the dealer or store usually takes a "security interest" in the item you are buying. This means that while you are paying for it, the creditor (person or business to which you owe money) can take back or "repossess" your purchase if you break your promises under the contract.

If you buy a car, for example, the dealer or bank from which you borrow money to pay for the car usually takes a security interest in the car. Then, if you don't make the monthly payment or if you don't keep the car insured, the creditor can repossess the car.

INFORMATION THAT IS INCLUDED IN YOUR CREDIT REPORT:

- Personal Information – Name, address, social security number, date of birth, and employment history.
- Credit History – Account details such as open date, credit limit, loan amount, balance, payment terms & history.
- Inquiries – Record of who has pulled a copy of your credit report within last 2 years.
- Public Records & Collections – Liens, bankruptcies, judgments, & collections

INFORMATION THAT IS NOT INCLUDED IN YOUR CREDIT REPORT:

- Race, color, religion, or political affiliation
- Medical history, criminal records, motor vehicle records
- Checking or savings account data

WAYS TO MAINTAIN A GOOD CREDIT SCORE:

Always pay your bills on time.

Apply for and open new credit accounts only when you need them.

Keep balances low on credit cards.

Payoff debt rather than moving it between credit cards.

HOW LONG DOES DATA REMAIN ON THE CREDIT REPORT?

Trade Lines (Credit History) – 7 to 10 years from date of last activity.

Bankruptcies – Depending on chapter filed.

Judgments – 7 years from date filed.

Unpaid Tax Liens – reported indefinitely from date filed. Paid tax liens are reported for 7 years from the paid/release date.

THE TRUTH ABOUT INQUIRIES:

Inquiries remain on the credit report for 2 years.

Promotional inquiries or pre-approved credit offers do not affect the score.

Ordering a copy of your credit report does not impact the credit score.

Inquiries that are posted by employers are not counted against the score.

It's wise to review a copy of your credit report at least once a year to monitor your accounts for identity theft. If you are planning to make a large purchase, such as a house or car you should get a copy of your credit report beforehand to check for inaccuracies. Get a free copy of your report at www.annualcreditreport.com.

If you should become a victim of identity theft you should contact all three repositories and place fraud alerts on your credit reports, close any accounts that have been tampered with or opened fraudulently, file a report with your local police department or the police in the community that the identity theft took place.

Understanding Your Credit Score Exam

Name: _____ Date: _____

1. What information is included in your credit report?

- Criminal records, medical records, religion
- Race, checking account and savings account data
- Name, address, social security number

2. Credit scores range between:

- 300 – 750
- 350 – 850
- 300 – 650

3. How long do inquiries remain on your file?

- 3 years
- Indefinitely
- 2 years

4. Your score determine your interest rate on a loan.

- True
- False

5. What percentage of your score is based on your payment history?

- 10%
- 30%
- 35%

6. Promotional inquires do affect your credit score.

- True
- False

7. How long do judgments remain on your credit file?

- 7 years from the date filed
- 10 years from the date filed
- Indefinitely

8. Potential employers will pull a copy of your credit report to determine if you will be hired or not.

- True
- False

9. Making late payments on credit cards will trigger a rate increase.

- True
- False

10. How often should you review your credit report?

- Every 5 years
- Every 2 years
- Annually

11. You should only make the minimum payment due on credit cards.

- True
- False

12. Who are the three credit reporting agencies?

- Equifax, Credit Data, Trans Continental
- Equifax, Experian, Trans Union
- Equifax, Experian, Trans Union

13. If you are a victim of identity theft you should contact all three repositories and place a fraud alert on your credit report.

- True
- False

14. Your score may also determine if you are required to put down a deposit on utilities, telephone, or natural gas services.

- True
- False

15. It's wise to get a copy of your credit report before purchasing a home or automobile to check for accuracy.

- True
- False