

UNDERSTANDING YOUR CREDIT REPORT & YOUR CREDIT SCORE

Presented By:

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WHAT IS A CREDIT SCORE?

- ❑ A credit score is a number that summarizes your credit risk, based on a snapshot of your credit report at a particular point in time.
- ❑ A credit score helps lenders evaluate your credit report and estimate the level of your future credit risk.
- ❑ Credit scores were developed by the Fair Isaac Corporation and combine both advanced math and analytics to help businesses make smarter decisions.
- ❑ Credit scores are often referred to as FICO scores.
- ❑ Credit scores range from 300 – 850.
- ❑ The higher the score, the lower the risk.

Source: www.myfico.com





- Excellent
- Very Bad
- Poor
- Fair
- Good
- Very Good



WHY IS MY CREDIT SCORE IMPORTANT TO ME?

- ❑ Companies can use credit scores to determine if they will grant you particular services.
- ❑ Companies can use credit scores to determine what interest rates and/or fees you will be charged for obtaining particular services.
- ❑ Companies can use credit scores to re-evaluate services that you may already use to determine if you will be allowed to continue using the service and at what cost.



WHO USES CREDIT SCORES?

- ❑ Mortgage Lenders
- ❑ Consumer Lenders
 - ▣ Auto loans
 - ▣ Boat loans
 - ▣ Personal loans
- ❑ Credit Card Lenders
- ❑ Insurance Companies
- ❑ Utility Companies
- ❑ Landlords

Source: www.myfico.com



WHAT IS NOT IN YOUR CREDIT SCORE?

- Credit scores contain information from your credit report, but they do not consider the following:
 - ▣ Your race, color, religion, national origin, sex, and/or marital status
 - ▣ Your age
 - ▣ Your salary, occupation, title, or employer
 - ▣ Where you live
 - ▣ Any information that is not found in your credit report

Source: www.myfico.com



WHAT IS IN YOUR CREDIT REPORT?

- Credit report formats can vary between credit reporting agencies; however, all credit reports contain the same types of information.
 - ▣ Identifying Information
 - Name
 - Address
 - Date of Birth
 - ▣ Trade Lines
 - Lenders reporting account information for your credit accounts



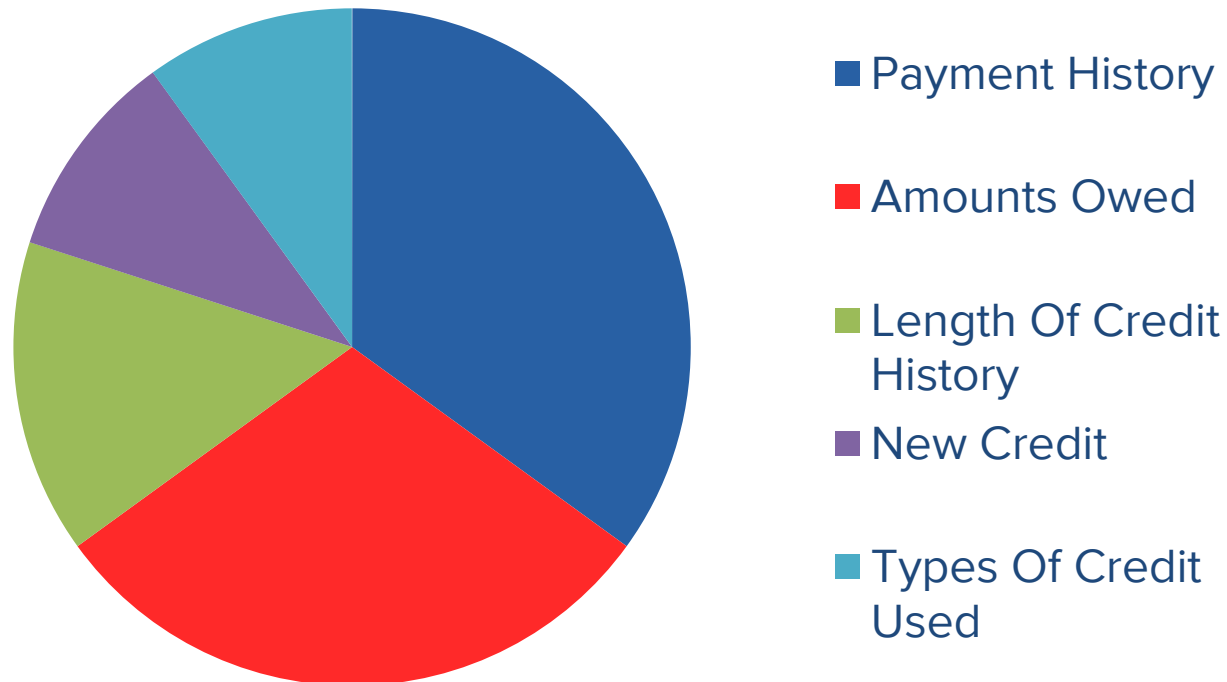
WHAT IS IN YOUR CREDIT REPORT?

- Credit report formats can vary between credit reporting agencies; however, all credit reports contain the same types of information.
 - Credit Inquiries
 - Requests to view your credit report.
 - Can be:
 - Voluntary – consumer initiated request for credit
 - Involuntary – lender initiated request for pre-approval offer
 - Public record and collection items



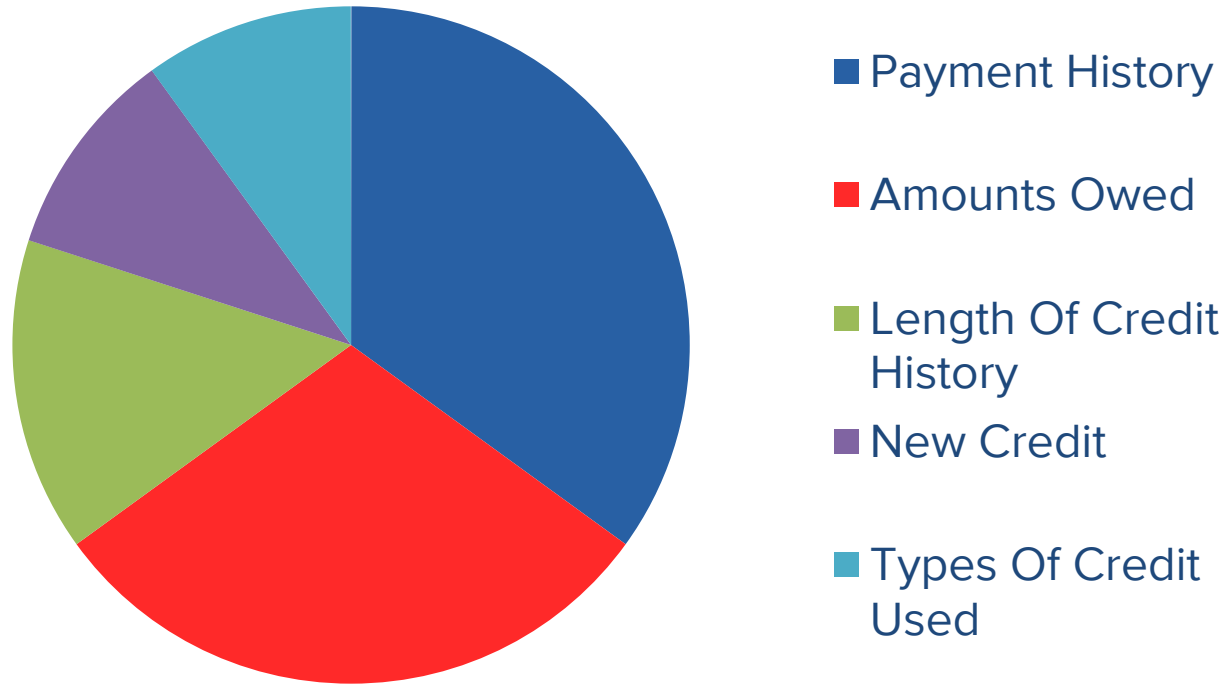
WHAT DOES MY CREDIT SCORE INCLUDE?

- Credit data is accumulated to produce a credit score. The accumulated data can be broken down into five major categories demonstrated in the chart below. The percentages represent how much weight is given to each category.



Source: www.myfico.com





- A credit score takes into consideration all these categories, not just one or two.
- The importance of each category depends on the overall information in your credit report.
- Your credit score includes both positive and negative information found in your credit report.

Source: www.myfico.com



PAYMENT HISTORY

- Approximately 35% of your credit score is based upon your payment history.
- Included in your payment history is:
 - Information on your payment of different types of accounts (credit cards, installment loans, finance companies, mortgages, etc.)
 - Public record data (bankruptcy, judgements, liens, wage attachments, etc.)
 - Collections

Source: www.myfico.com



PAYMENT HISTORY

- Included in your payment history is:
 - ▣ How long accounts have been past due
 - ▣ Total amounts past due for delinquent accounts
 - ▣ How many past due items are on file
 - ▣ How many accounts are paid as agreed



AMOUNTS OWED

- Approximately 30% of your credit score is based upon your amounts owed.
- Amounts owed is often referred to as “capacity.”
- Capacity is KING!
 - The combination of your payment history and capacity make up two thirds of your credit score!



AMOUNTS OWED

- Included are:
 - ▣ Proportion of credit lines used
 - ▣ Proportion of installment loans still owed
 - ▣ Total amounts you owe on all accounts
 - ▣ Amounts you owe on specific accounts
 - ▣ The lack of a certain type of credit balance (in some cases) on your credit report
 - ▣ How many accounts have balances



LENGTH OF CREDIT HISTORY

- Approximately 15% of your credit score is based upon this category.
- Accounts with longer credit history will generally help to increase your credit score.
- Length of Credit History includes:
 - ▣ How long accounts have been opened
 - ▣ How long specific types of accounts have been opened
 - ▣ How long it has been since you have used certain accounts



NEW CREDIT

- Approximately 10% of your credit score is based upon your age of credit.
- Research shows that opening several accounts in a short period of time represents higher risk, especially for people who do not have a long established credit history.



NEW CREDIT

- New credit line includes:
 - ▣ How many recently opened accounts you have, and the proportion of new accounts by account type.
 - ▣ Number of recent credit inquiries
 - ▣ How long it has been since you opened a new account
 - ▣ How long since your credit inquiries
 - ▣ Whether you have a good recent credit history, following past payment problems.



TYPES OF CREDIT USED



SECURE



UNSECURE



REVOLVING



INSTALLMENT

- Approximately 10% of your credit score is based upon the types of credit that you use.
- The credit score will consider your mix of credit cards, retail accounts, installment loans, finance company accounts, and mortgage loans.
- It is not necessary to have at least one of each type of credit account, and you should not open credit accounts that you do not intend to use just to obtain a particular type.



TYPES OF CREDIT USED



SECURE



UNSECURE



REVOLVING



INSTALLMENT

- What kind of credit you have is important. Do you have both revolving and installment type credit?
- The total number of accounts is also taken into consideration and, depending on your overall credit profile, will affect each person's credit score differently.



HOW DO INQUIRIES AFFECT MY SCORE?

- Inquiries usually have only a small impact on your score.
 - Less than 5 points for most people
 - Higher for people with few credit accounts or short credit history
- Some inquiries do not even factor into your credit score such as:
 - Credit reports ordered by the consumer from credit reporting agencies
 - Credit reports/scores ordered by lenders to make “pre-approval” offers
 - Credit reports that are marked as being pulled by employers

Source: www.myfico.com



HOW DO INQUIRIES AFFECT MY SCORE?

- Credit score formulas allow for “rate shopping.”
 - Allow for consumers to check with several different lenders when in the market for a mortgage or auto loan.
 - Distinguish between a search for a single loan and a search for many new credit lines, by the length of time over which the inquiries occur.
 - Rate shopping should be done within a short period of time such as two weeks.

Source: www.myfico.com



WHAT ACTIONS HURT MY SCORE?

- ❑ Missing Payments
- ❑ Credit cards at capacity (maxed out credit cards)
- ❑ Closing credit cards (reduces capacity)
- ❑ Shopping excessively for credit over an undefined period
- ❑ Opening numerous trades in a short period of time
- ❑ Having more revolving loans in relation to installment loans
- ❑ Borrowing from finance companies



TIPS FOR IMPROVING YOUR SCORE

- ❑ Make payments on time
- ❑ Pay down on credit cards and keep balances low
- ❑ Do not close credit cards because capacity will decrease
- ❑ Do not open a number of new accounts to increase capacity
- ❑ Slow down on opening new accounts
- ❑ Acquire a solid history with years of experience
- ❑ Move revolving debt to installment debt



WHERE DO I START?

- The FACT Act amendments of 2003 to the Fair Credit Reporting Act entitle you to a free copy of your credit report from each major credit reporting agency once every 12 months.
- www.annualcreditreport.com
 - The website sponsored by all three of the major credit reporting agencies

EQUIFAX[®]

TransUnion[®] 

 ExperianSM

Source: www.myfico.com



WHERE DO I START?

- Beware of imitations that may charge you for your credit report!
- Credit reporting agencies are not required to provide you with a free credit score.
 - ▣ Credit reporting agencies usually charge between \$8 - \$10 for a score.

EQUIFAX[®]

TransUnion[®] 

 ExperianSM

Source: www.myfico.com



WHAT IF THERE IS AN ERROR ON MY CREDIT SCORE?

- ❑ Credit reporting agencies must investigate any errors reported to them within 30 days.
- ❑ You can dispute any errors on your credit report by contacting the credit reporting agencies directly:
 - ❑ Equifax: (800) 685-1111, www.equifax.com
 - ❑ TransUnion: (800) 888-4213, www.transunion.com
 - ❑ Experian: (888) 397-3742, www.experian.com

EQUIFAX[®]

TransUnion[®] 

 ExperianSM

Source: www.myfico.com



спасибо 谢谢
GRACIAS 谢谢
THANK YOU

- “Whether you’re earning \$7 an hour or \$700,000 a year, it’s very important to protect your credit rating.”

~ Frank Abagnale
American Security Consultant & Former Con-artist

- “Remember that credit is money.”

~ Benjamin Franklin





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