



# **UNDERSTANDING YOUR CREDIT REPORT & YOUR CREDIT SCORE**

**Presented By:**

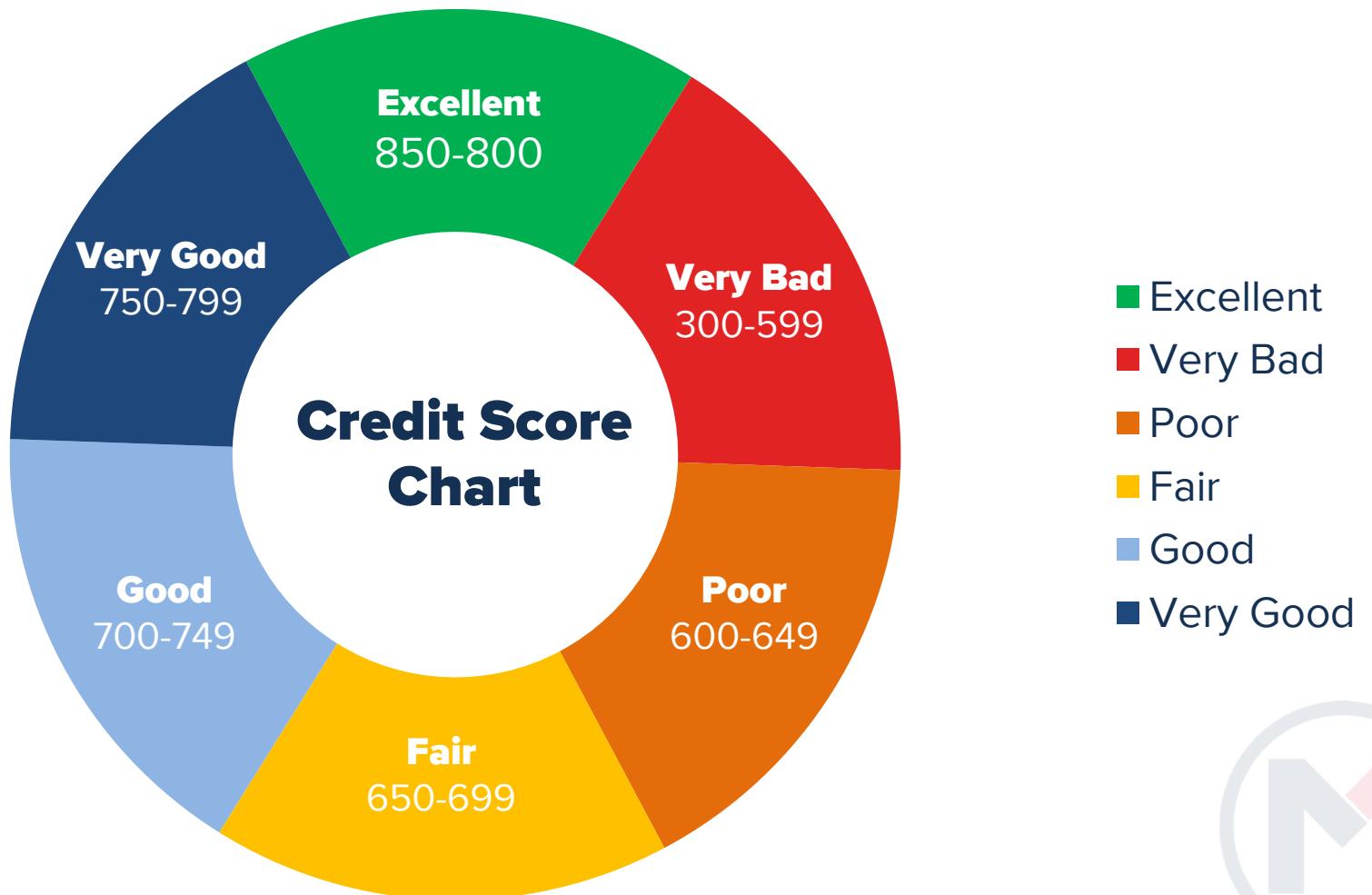
**Tom Painter | Chief Lending Officer**



# 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.





# 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](http://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



# 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



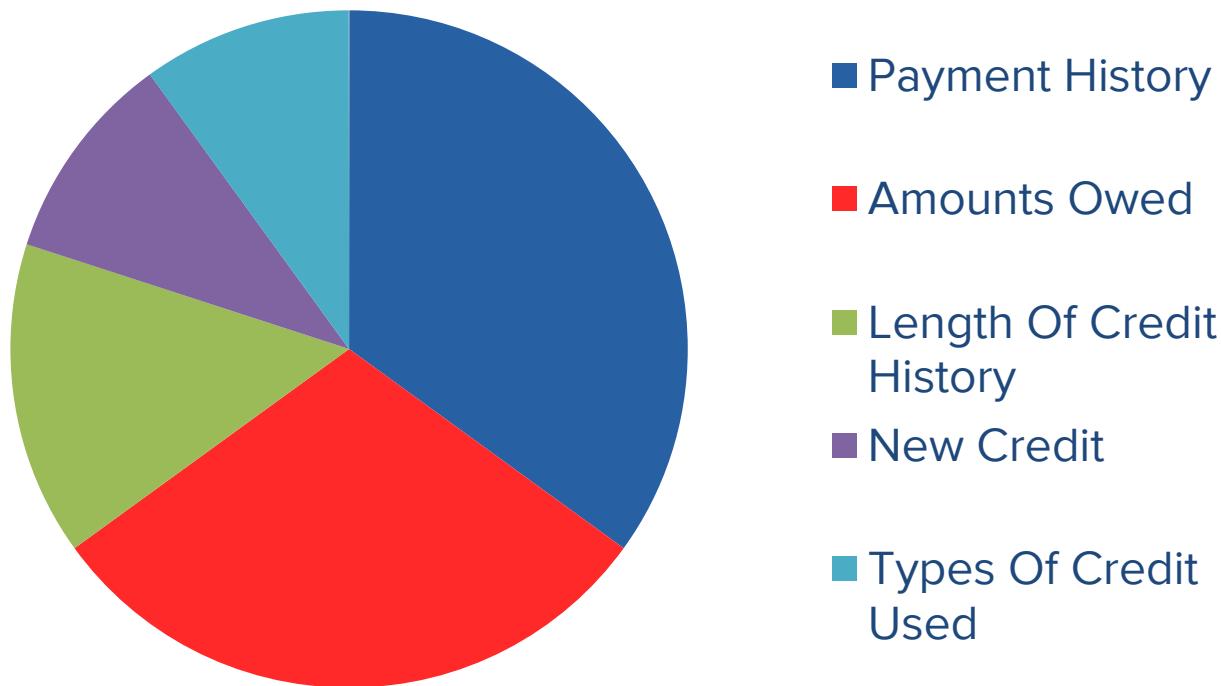
# WHAT IS IN YOUR CREDIT REPORT?

- 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



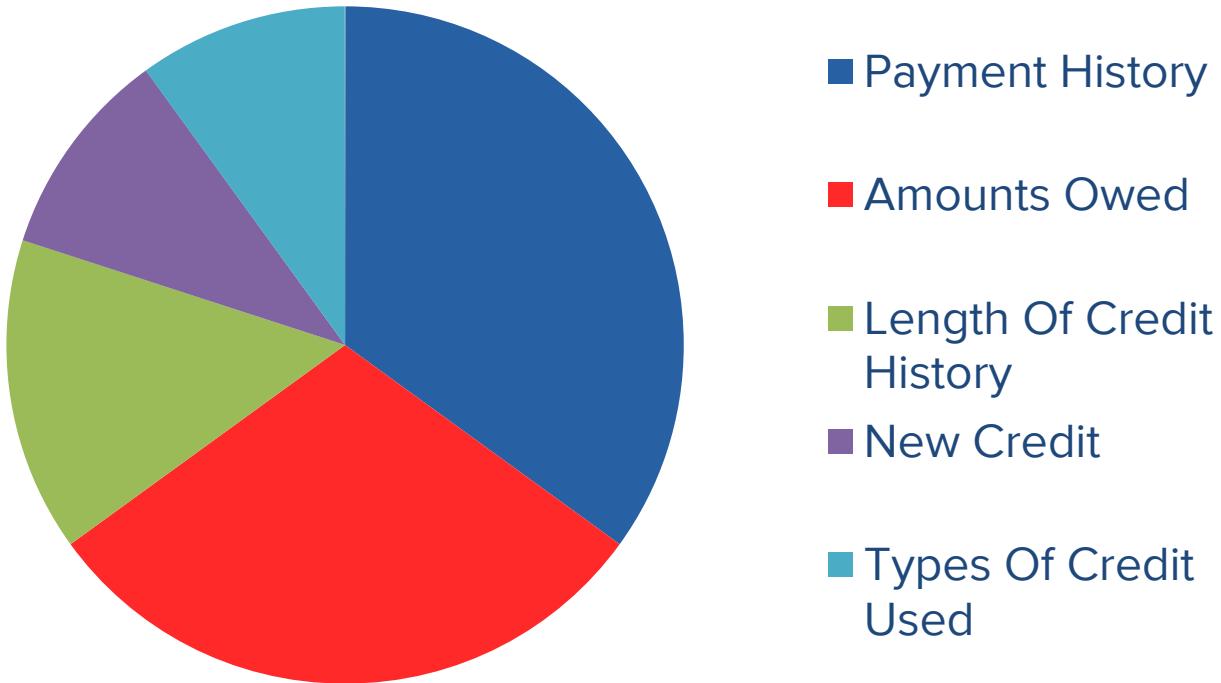
# WHAT DOES MY CREDIT SCORE INCLUDE?

- 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](http://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](http://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



# 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



# 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.



# 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](http://www.annualcreditreport.com)
  - The website sponsored by all three of the major credit reporting agencies



Source: [www.myfico.com](http://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.



Source: [www.myfico.com](http://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](http://www.equifax.com)
  - TransUnion: (800) 888-4213, [www.transunion.com](http://www.transunion.com)
  - Experian: (888) 397-3742, [www.experian.com](http://www.experian.com)



Source: [www.myfico.com](http://www.myfico.com)

спасибо  
**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





# **MEMBERS FIRST** CREDIT UNION OF FLORIDA

---

OPEN TO ALL WHO LIVE, WORK, OR ATTEND SCHOOL IN  
ESCAMBIA, SANTA ROSA, OR OKALOOSA COUNTY

**MEMBERSFIRSTFL.ORG | 850.434.2211**

