Credit Score

- **Excellent**
- **Average**
- **Poor**

**WHAT YOU NEED TO KNOW!**
So, What is a Credit Score?

- It’s a measurement of credit worthiness
- It’s based on Information on your credit report
So, What is a Credit Score?

- **A CREDIT REPORT tracks your credit activity**
- **Many creditors look at the score & not the report**
FICO SCORE

Runs 300-850

Each has its own score

Creditors can pull one or all three reports
FICO Score
FICO Score

Payment History 35%
- On-time payments help, late payments hurt
- Accounts in collections hurt significantly

Amount Owed 30%
- Hurts to have balance close to credit limit
FICO Score

- **Length of Credit History 15%**
  - Longer history improves credit score

- **New Credit 10%**
  - Number of new accounts
  - Inquiries

- **Types of credit used 10%**
  - A variety of credit is good
What Does Not Affect Your Credit Score

- Debt Ratio
- Income
- Length of Residence
- Length of Employment
The High cost of a low credit score

- Declined loans
  - More difficult to get approved for a loan

- High interest rates
  - The lower your score the higher the interest

- Large down payment
  - Creditors may ask for a higher down payment or collateral
It can ADD up!

<table>
<thead>
<tr>
<th>Amount Borrowed for a vacation</th>
<th>5,000 balance</th>
<th>5,000 balance</th>
<th>5,000 balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Rate</td>
<td>10.9%</td>
<td>9.9%</td>
<td>18.9%</td>
</tr>
<tr>
<td>Monthly Payment</td>
<td>$100.00</td>
<td>$150.00</td>
<td>$100.00</td>
</tr>
<tr>
<td>How long to pay off?</td>
<td>68 months</td>
<td>40 months</td>
<td>100 months</td>
</tr>
<tr>
<td>How much will interest be?</td>
<td>$1718.30</td>
<td>$881.53</td>
<td>$4986.56</td>
</tr>
</tbody>
</table>
Improve your FICO score

Always pay on time
• Pay down existing debt

Diversify your credit
• Review your credit report for errors
Improve your FICO Score

Keep your oldest accounts

- Limit balance transfers

Avoid excess credit card applications

- Be patient
Credit Weight

40% • Current to 12 months
30% • 13-24 months
20% • 25-36 months
10% • 37+ months
How to get Started

- Ways to establish or re-establish credit
- So, If you’ve never had credit or you’ve had credit troubles in the past...
  - Start with requesting a small amount
  - Share secured loan
  - Keep your balance low
  - ALWAYS PAY ON TIME!
There is always a way OUT!

- Don’t be discouraged
- Come up with a plan and stick to it!
- Your credit score CAN increase in time