



Welcome to Credit 101



Credit 101

Account Manager Name - Title

Agenda:

- Credit Reports
- Credit Scores
- How Behaviors Impact Scores
- How to Remain Financially Healthy
- Tips

Credit Reporting Agencies

- Experian, Equifax and TransUnion



- How Data is Gathered
- Shared vs. Non-shared Information



What Does Your Credit Report Contain?

- Demographic information
- Public information related to a past debt
- Inquiries
- Trade lines, balances, payment histories

What Does Your Credit Report Contain?

- Credit Scores
- High Credit Score
- Low Credit Score
- Different Score Models

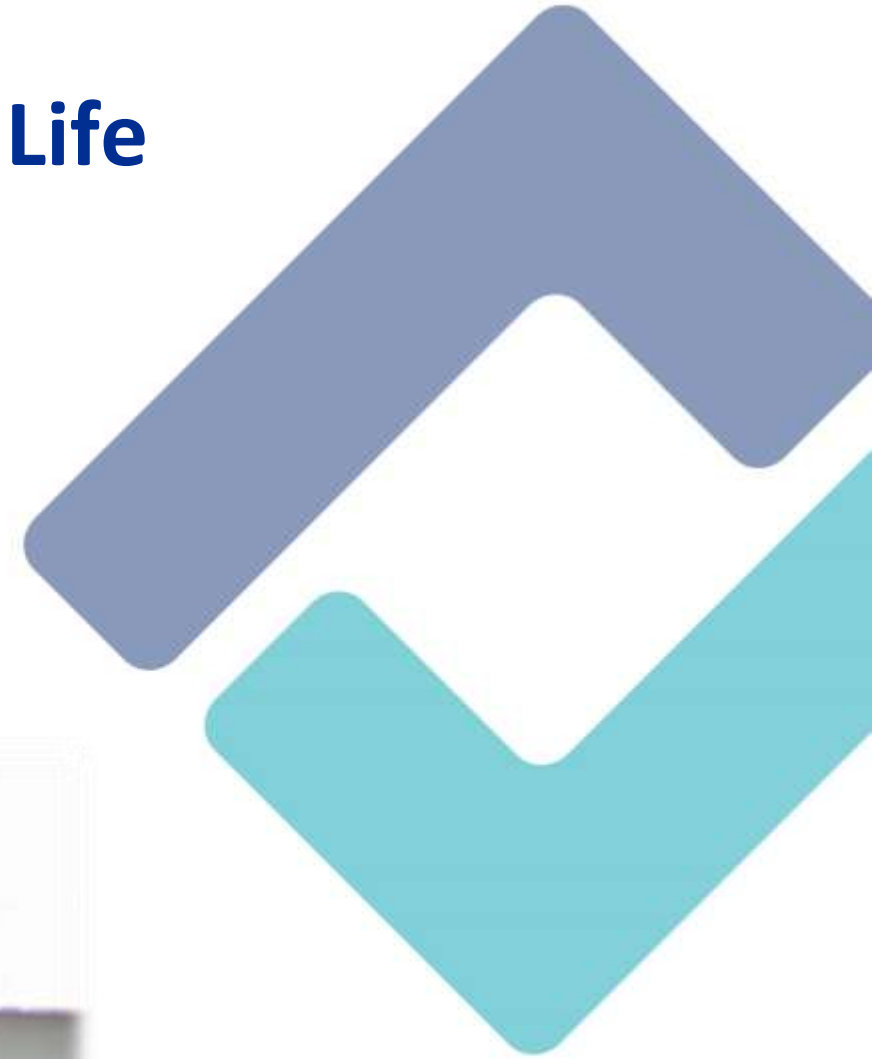


Information NOT On Your Credit Report

- Race, religion, national origin, gender, marital status, salary, occupation, title, job tenure, loan interest rates, cell phone payments, rent, utility bills, checking accounts
- Not all inquiries will be reflected; soft inquiries vs. hard inquiries

How Your Credit Score Can Affect Your Life

- Permissible purpose
- Credit granting reasons
- Employment
- Insurance underwriting and pricing

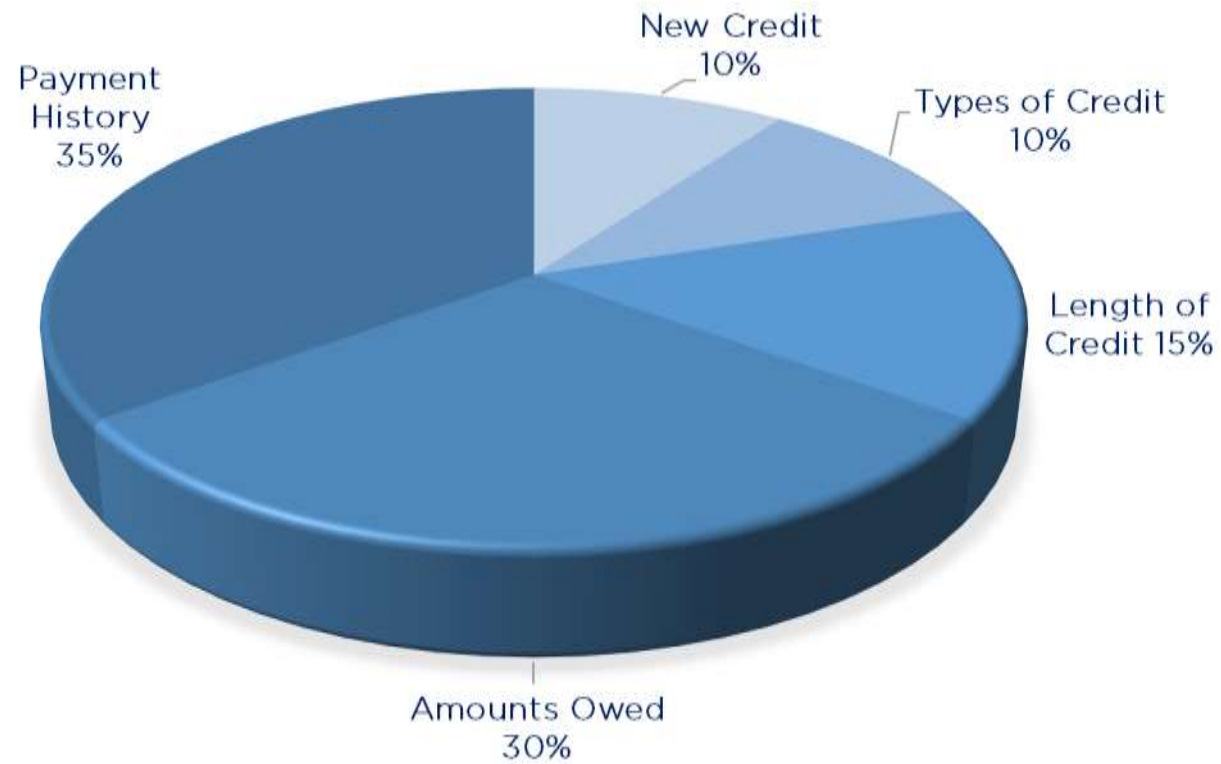


More Information On Credit Scores

- Non-discriminatory
- Risk-based lending
- FICO
- Experian = FICO
- Equifax = Beacon
- TransUnion = FICO Classic
- 300-850
- www.myfico.com



How Is Your Credit Score Calculated?



Payment History 35%

- Includes payment history on all debts
- Timely = positive points
- Late/delinquent = negative points



Amounts Owed 30%

- Total amount owed
- # of accounts
- Aggregate credit limits
- % of credit lines used



Length of Credit History



Credit Tenure



New Credit 10%

- Number of New Accounts
- Number of Inquiries



Types of Credit 10%

- Unsecured vs. secured debt
- High risk vs. low risk debt

Types of Credit



Revolving Credit



Installment Credit



Charge Cards



Service Credit



New Car Loan Example

Credit Grade	\$25,000 60-month New Car Loan	Monthly Car Payment
A+ 740-850	6.25%	\$486
A 680-739	6.50%	\$489
B 640-679	7.50%	\$501
C 600-639	8.75%	\$516
D 599 or below	12.75%	\$566

\$80 a month difference = \$960 a year



Second Mortgage Loan Example

Credit Grade	\$60,000 15-Year 2 nd Mortgage Loan Rate	Monthly Payment
A+ 740-850	7.25%	\$548
A 680-739	7.50%	\$556
B 640-679	8.00%	\$574
C 600-639	8.25%	\$582
D 599 or below	8.50%	\$591

\$43 a month difference = \$516 a year



First Mortgage Loan Example

Credit Grade	\$200,000 30-Year Mortgage Loan Rate	Monthly Payment
A+ 740-850	6.5%	\$1,265
A 680-739	7.00%	\$1,331
B 640-679	7.50%	\$1,399
C 600-639	8.00%	\$1,468
D 599 or below	8.50%	\$1,538

\$273 a month difference = \$3,276 a year



FICO Score Example #1

- Your current FICO Score = 707
- Max out all of your credit cards and your score can range between 637-687



FICO Score Example #2

- Your current FICO Score = 707
- Pay down 90% - 100% of your credit card balances over the next 24 months and your score could range between 757-777



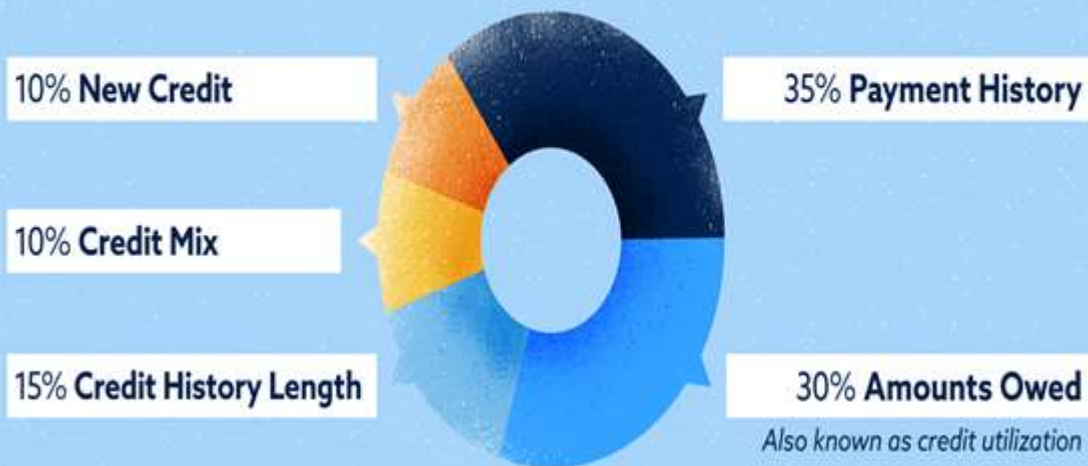
FICO Score Example #3

- Your current FICO Score = 707
- Miss payments on all accounts with a payment due and your score could range between 582-632



Summary

What Makes Up Your Credit Score?



FICO Score	Rating	What the Score Means
< 580	Poor	<ul style="list-style-type: none">Well below averageDemonstrates to lenders that you're a risky borrower
580 – 669	Fair	<ul style="list-style-type: none">Below averageMany lenders will approve loans
670 – 739	Good	<ul style="list-style-type: none">Near or slightly above averageMost lenders consider this a good score
740 – 799	Very Good	<ul style="list-style-type: none">Above averageDemonstrates to lenders you're a very dependable borrower
800+	Exceptional	<ul style="list-style-type: none">Well above averageDemonstrates to lenders you're an exceptional borrower

Get Your FREE Credit Report

- Visit ithinkfi.org and click on “credit monitoring” or annualcreditreport.com
- Telephone or written request



Dispute Inaccuracies

- Write to credit bureau
- Credit bureau acts as “middle man”
- 30 days to respond
- Disputes: online or on paper



Phone Solicitations

Do Not Call Registry

- 888-382-1222
- www.donotcall.gov



Pre-approval Offers



- 888-5OPTOUT or 888-567-8688
- www.optoutprescreen.com
- 5-year removal or permanent removal
- It's free to do this!

Credit Counseling

- MoneyEdu (iTHINK Financial Wellness Center)
Call Money Management International at 877.311.2227 or visit <https://www.ithinkfi.org/education/financial-wellness-center>
- FREE for members & dependents!

Budgeting | Debt management | Building Credit
Credit report review | ID theft solutions and assistance



More Credit Counseling Assistance

Help in resolving credit problems:

- The United Way (Yellow pages)
- National Foundation for Consumer Credit Counseling:
 - 800-388-2227 | www.nfcc.org
- The Association of Independent Credit Counseling Agencies:
 - 800-450-1794 | www.aiccca.org





People Helping People

More than 100 million Americans belong to a Credit Union and iTHINK Financial is one of the largest in the nation.

Contact Account Manager, Title
at XXXX@ithinkfi.org or XXX-XXX-XXXX.

www.ithinkfi.org



All iTHINK Financial Memberships, products and services are subject to certain fees, terms and conditions. Upon qualification, \$5.00 and \$25.00 bonuses will be deposited into the Member's Membership savings account. Some services are offered through non-affiliated third-party providers. For more information, visit our website or contact a Member Service Advisor at 800.873.5100, 561.982.4700 or serviceplus@ithinkfi.org.



Sample Letter To Send To Creditors To Close Out A Charge/Credit Account

Date

Creditor Name
Address

Dear Customer Service Department:

My name is _____ and I have a (credit card/revolving charge, etc) account with (Creditor's name). My account number is _____. I do not plan to use the account, therefore, I would like the credit line to be closed out.

Please report the account as paid, and please update the status of the closed credit line to all three credit reporting agencies. Please code the closure as "per consumer request."

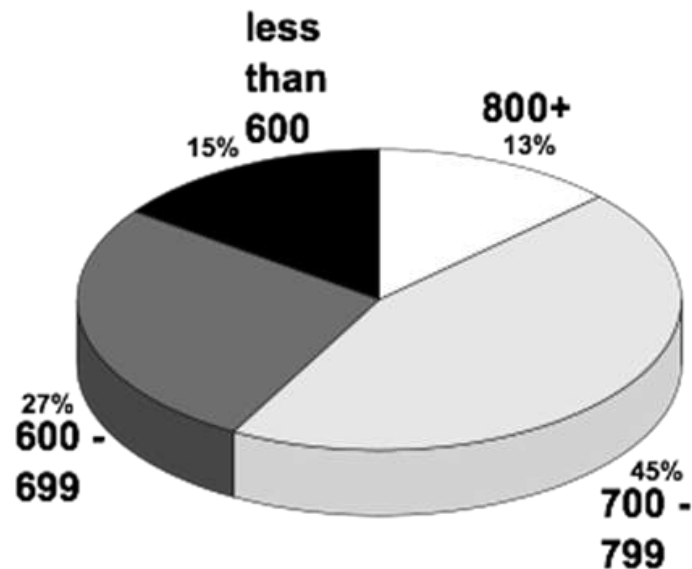
If you have any questions, my daytime telephone number is _____.

Thank you,
(your signature)

Your Name
Your Address

National distribution of FICO scores

source: www.myfico.com



<u>SCORE</u>	<u>PERCENTAGE</u>
800+	13%
750 - 799	27%
700 - 749	18%
650 - 699	15%
600 - 649	12%
550 - 599	8%
500 - 549	5%
499 or less	2%

Credit Scoring Facts & Fallacies

Fallacy: **My score determines whether or not I get credit.**

Fact: Lenders use a number of facts to make credit decisions, including your credit score. Lenders look at information such as the amount of debt you can reasonably handle given your income, your employment history and your credit history. Based on their perception of this information, as well as their specific underwriting policies, lenders may extend credit to you although your score is low, or decline your request for credit although your score is high.

Fallacy: **A poor score will haunt me forever.**

Fact: Just the opposite is true. A score is a “snapshot” of your risk at a particular point in time. It changes as information is added to your credit bureau files. Scores change gradually as you change the way you handle credit. For example, past credit problems impact your score less as time passes. Lenders request a current report and credit score when you submit a credit application, so that they have the most recent information available. Therefore, by taking the time to improve your score, you can qualify for more favorable interest rates.

Fallacy: **Credit scoring is unfair to minorities.**

Fact: Scoring considers only credit-related information. Factors like gender, race, nationality and marital status are not included. In fact, the Equal Credit Opportunity Act (ECOA) prohibits lenders from considering this type of information when issuing credit. Independent research has been done to make sure that credit scoring is not unfair to minorities or people with little credit history. Scoring has proven to be an accurate and consistent measure of repayment for all people who have some credit history. In other words, at a given score, non-minority and minority applicants are equally likely to pay as agreed.

Credit Scoring Facts & Fallacies

Fallacy: **Credit scoring infringes on my privacy.**

Fact: Credit scoring evaluates the same information lenders already look at – the credit bureau report and credit application. A score is simply a numeric summary of that information. Lenders using scoring sometimes ask for less information – fewer questions on the application form, for example.

Fallacy: **My score will drop if I apply for new credit.**

Fact: If it does, it probably won't drop much. If you apply for several credit cards within a short period of time, multiple requests for your credit report information (called "inquiries") will appear on your report. Looking for new credit can equate with higher risk, but most credit scores are not affected by multiple inquiries from auto or mortgage lenders within a short period of time. Typically, these are treated as a single inquiry and will have little impact on the credit score.

Source of information: www.myfico.com, Credit Education section

Average Credit Statistics

As a company that helps the nation's largest banks and financial institutions assess credit risk, Fair Isaacs is often asked to describe the credit use of a typical consumer. In researching the answer, we discovered that consumers vary immensely in what types of credit they use and how they use it. By analyzing a representative national sample of millions of consumer credit profiles, Fair Isaacs was able to survey the panorama of credit activity across the U.S. The following statistics reflect the average use of credit by today's consumers.

Number of Credit Obligations

On average, today's consumer has a total of 13 credit obligations on record at a credit bureau. These include credit cards (such as department store charge cards, gas cards, or bank cards) and installment loans (such as auto loans, mortgage loans, student loans, etc.). Not included are savings and checking accounts (typically not reported to the credit bureau). Of these 13 credit obligations, 9 are likely to be credit cards and 4 are likely to be installment loans.

Past Payment Performance

On average, today's consumers are paying their bills on time. Less than half of all consumers have ever been reported as 30 or more days late on a payment. Only 3 out of 10 have ever been 60 or more days overdue on a credit obligation. 77% of all consumers have never had a loan or account that was 90+ days overdue, and less than 20% have ever had a loan or account closed by the lender due to default.

Credit Utilization

About 40% of credit card holders carry a balance of less than \$1,000. About 15% are far less conservative in their use of credit cards and have total card balances in excess of \$10,000. When we look at the total of all credit obligations combined (except mortgage loans), 48% of consumers carry less than \$5,000 of debt. This includes credit cards, lines of credit, and other loans – everything except mortgages. Nearly 37% carry more than \$10,000 of non-mortgage-related debt as reported to the credit bureaus.

Total Available Credit

The typical consumer has access to approximately \$19,000 on all credit cards combined. More than one-half of all people with credit cards are using less than 30% of their total credit card limit. Just over 1 in 7 are using 80% or more of their credit card limit.

Length of Credit History

The average consumer's oldest obligation is 14 years old, indicating that he or she has been managing credit for some time. In fact, we found that 1 out of 4 consumers had credit histories of 20 years or longer. Only 1 in 20 consumers had credit histories shorter than 2 years.

Inquiries

When someone applies for a loan or a new credit card account – in short, any time one applies for credit and a lender requests a copy of the credit report – this request is noted as an “inquiry” in the applicant's credit file. The average consumer has had only 1 inquiry on his/her accounts within the past year. Fewer than 6% had 4+ inquiries resulting from a search for new credit.

Information reproduced from www.myfico.com, Education section

What To Look For In A Credit Card

Not all credit cards are created equal! Just as you wouldn't purchase the first car you saw on the lot without comparing it with others, you shouldn't accept a random credit card offer that comes to you in the mail without reading the fine print. When shopping for a credit card, look for the following:

Low Annual Percentage Rate (APR). The lower the APR, the less money you'll be charged to hold onto the balance. However, if you never carry a balance --- the most financially savvy thing to do --- the APR won't matter much. Most credit cards have disclosure clauses that allow the interest rate to be increased if you make a late payment on the subject credit card. Also, most credit cards charge a different --- higher --- interest rate for balance transfer and cash advance balances than the purchase balances.

Long grace period. You'll want as much time as possible to gather up cash before interest kicks in. Most grace periods are between 15 to 30 days.

Low cash advance fees. It is often best to avoid cash advances. There is no grace period on the withdrawal --- interest begins to accrue immediately -- and in most cases you'll be charged a service fee of between two to three percent of the cash advance.

Low balance transfer fees. You'll be charged a service fee to transfer balances from other credit cards to your new credit card. The fee typically ranges from two to three percent of the total balance transfer.

No annual fee. Why pay for the privilege of holding a credit card if you don't have to? If you are new to credit you may have to pay an annual fee, but after a year of good use, ask for the fee to be reduced or eliminated.

Low penalty fees. If you make a payment after the due date, you will be charged a fee, and if you go over your credit limit, you will also be charged. While you should manage your account so neither of these events occur, do look for a credit card with the lowest penalty fees anyway.

Stable interest rate. Most credit cards' disclosures indicate that the credit card company can adjust your interest rate if your credit score goes down during the lifetime of the credit card, even if you make timely payments on the subject credit card.

Freezing Your Credit

- all states allow consumers to freeze their credit, preventing creditors from viewing credit history or getting credit score.

Pros

- Prevents unauthorized credit from being granted. Very effective as credit fraud/ID theft prevention tool.
- Prevents consumer from getting into new debt without planning for it. Very effective in preventing new debt due to impulse shopping.

Cons

- May have fees associated with placing and lifting the freeze at each bureau.
- Can be a hassle to temporarily lift the credit freeze to get new credit due to time lags

How do I freeze my credit?

- You must write a letter to each credit bureau requesting credit freeze. It will take each credit bureau up to 5 days to process the request. (See sample letter)
- \$10 fee to freeze credit at each bureau. Free for senior citizens (65+) and documented identity theft victims.
- A PIN will be mailed to you from each credit bureau once initial freeze is in place.
- Must use the secret PIN to temporarily lift (“unfreeze”) the credit freeze. A credit “unfreeze” request may take 3 days to process.
- \$10 fee to “unfreeze” the credit.
- If you want to replace the credit freeze, you must pay another fee.

Address For Each Credit Bureau

Experian Security Freeze
P.O. Box 9554
Allen, Texas 75013

Equifax Security Freeze
P.O. Box 105788
Atlanta, GA 30348

TransUnion Security Freeze
P.O. Box 6790
Fullerton, CA 92834

Letter to request the credit freeze must include the following information:

- Full name with middle initial and generation (such as Jr., Sr., II, III, etc.)
- Date of birth
- Social security number,
- Current address and previous to cover the last five years
- One copy of government issued ID such as drivers license, state ID card or military ID card
- One of the following: recent utility bill, bank or insurance statement. Copy must display current address and date of issue.
- Send letter and payment of \$10 by certified mail. Identity theft victims must send copy of police report and any other supporting documentation for fee waiver. (Sample letter)

Sample Letter For Credit Freeze Request

Date

Credit Bureau name

Address

To Whom it May Concern,

My name is _____ and my social security number is ____-____-_____.

My date of birth is ____/____/____. I wish to place a security credit freeze on my credit information.

My five year residential address is the following:

Current : _____

Previous: _____

I have included a copy of my (drivers license **OR** state ID card **OR** military ID card.). For further verification, I have also included a recent (utility bill **OR** bank statement **OR** insurance statement.)

Enclosed you will find my (check **OR** money order) for the \$10 fee. I am a senior citizen. **OR** I am an identity theft victim, and I am enclosing documentation on my identity theft.

If there are any questions related to this credit freeze request, my daytime telephone number is _____.

Sincerely,
Your name

iTHINK Financial Wellness Center

A free benefit for members of iTHINK Financial Credit Union and their dependents.

With so many financial issues, money management can feel overwhelming. That's why iTHINK Financial has partnered with MoneyEdu, a financial education program that makes it easy for you to get on top of your situation. Whether you're saving for your child's education, or trying to get out of debt, MoneyEdu counselors are here for you.

As a benefit of your credit union membership, you now have free access to the following confidential services:

InfoLine

Certified counselors are available to answer your questions about money management and other personal finance topics.

Money Management Counseling

If you'd like to get out of debt, improve your credit or avoid bankruptcy, a counselor can help you design a realistic spending and savings plan.

Website

www.ithinkfi.org
click on "Education" then "iTHINK Financial Wellness Center"

Credit Report Review

Creditors, employers and others often use credit reports to assess a person's financial fitness. A counselor will review your credit report with you, making sure you know your rights.

Debt Management Plan

Consolidate your credit card payments, lower payment amounts, and even reduce or eliminate interest and fees to get out of debt.