

CREDIT MANAGEMENT

How to get on the right track

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DEFINING CREDIT

Credit - the ability to obtain goods or services before payment, based on the trust that payment will be made in the future.



WHY DO CREDIT REPORTS AND SCORES MATTER?



DEFINING CREDIT REPORTS

A credit report is a consumer report that is a written history of some of your bill paying history, public record information, and a record of how often you have applied for credit. Your credit reports contain information about how you have used credit.

WHY DO CREDIT REPORTS AND SCORES MATTER?

- Get and keep a job
- Get and keep a security clearance for a job, including a military position
- Get an apartment
- Get insurance coverage
- Get lower deposits on utilities and better terms on cell phone plans
- Get a credit card
- Get better loan terms

THE IMPACT OF CREDIT



Housing



Insurance



Employment



Interest Rates



Professional Credentials

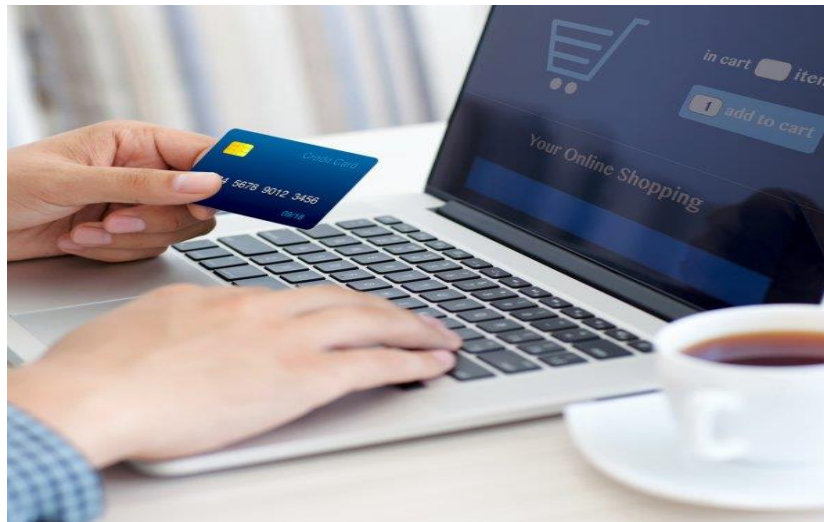


Military Security Clearance

WISE USE OF CREDIT



Assets



Convenience



Emergencies

WISE USE OF CREDIT



Higher Education



Vacations

UNWISE USE OF CREDIT

- Impulse buying
- Spending to feel good
- Spending for status
- Everyday Living Expense



WHAT IS A CREDIT SCORE?



WHAT IS A CREDIT SCORE?

- A credit score is a number that helps a lender predict how likely an individual is to repay a loan, or make credit payments on time.
- A credit score is a number that changes as the elements in a credit report change.
- A credit score has broad use and impact. Your credit past is your credit future.
- FICO[®] scores, one of the most common credit scoring systems, vary between 350 and 850.
- VantageScoreSM, a new credit scoring system developed by the three credit bureaus, ranges from 501-990 or 300-850.

WHAT MAKES UP A TYPICAL CREDIT SCORE?

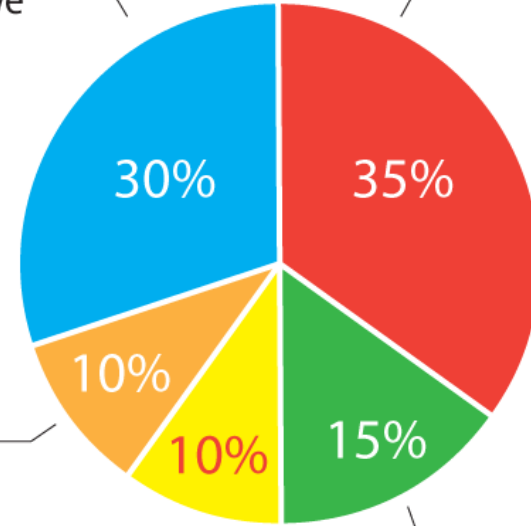
| | |
|-----------|-------------------|
| 850 – 720 | Excellent |
| 719 - 680 | Very Good |
| 679 – 640 | Good |
| 639 – 600 | Below Average |
| 600 – 550 | Needs Improvement |
| 549 – 300 | Poor |

Amount Owed

How much do you owe on each account, and how much of your credit limit have you used?

Types of Credit

What kind of debts do you have?



Payment History

Have you paid your bills on time? And if not, how late were you, when were you late and how often?

Credit History

How long have you had each account?

New Credit

How many credit requests have you made and how many reports have been pulled on you.

Source: Fair Isaac and Consumer Federation of America, 2005

35% PAYMENT HISTORY

- Late payments have the greatest ***negative*** impact.
- Recent & frequency are important too.



30% OUTSTANDING BALANCES

- Total balance vs. total available credit.
- Are you overextended?



15% LENGTH OF CREDIT HISTORY

- Number of years you've used credit.
- How long since you've used certain accounts.

Credit

History



10% NEW CREDIT

- Number of new accounts.
- Multiple requests reduce your score.



10% TYPES OF CREDIT

- The different tradelines of credit.
- Multiple lines example Revolving and installments.



NATIONAL CREDIT-REPORTING AGENCIES

EQUIFAX

 **Experian**

TransUnion 

GET YOUR FREE ANNUAL CREDIT REPORT

- **Online:** Get a free copy of your credit report at AnnualCreditReport.com
- **By Phone:** You may call and request a free copy at:
1-877-322-8228
- **By mail:** Download and complete the form [Annual Credit Report Request Form](#) and mail it to:
Annual Credit Report Request Service
P.O. Box 105281
Atlanta, GA 30348-5281

ANNUAL CREDIT REPORT WEBSITE

← → ↻ <https://www.annualcreditreport.com/index.action> ☆

AnnualCreditReport.com
The only source for your free credit reports. Authorized by Federal law.

Home All about credit reports **Request yours now!** What to look for Protect your identity Frequently asked questions Contact us

Spot identity theft early.
Review your credit reports.

Suspicious activity or accounts you don't recognize can be signs of identity theft. Review your credit reports to catch problems early.

[Learn more about Identity Theft](#)



PLAY ▶ SPOT IDENTITY THEFT GOOD CREDIT DON'T BE FOOLED MORE THAN A SCORE NOT LIKE THE OTHERS

Your credit reports matter.

- Credit reports may affect your mortgage rates, credit card approvals, apartment requests, or even your job application.
- Reviewing credit reports helps you catch signs of identity theft early.

[Request your free credit reports](#)

FREE Credit Reports. Federal law allows you to:

- Get a free copy of your credit report every 12 months from each credit reporting company.
- Ensure that the information on all of your credit reports is correct and up to date.

BROUGHT TO YOU BY



Tool 1: Getting your credit reports and scores

- To order through the website, visit:
<https://www.annualcreditreport.com>
 - Complete a form with basic information (name, Social Security number, address, etc.).
 - Select the report(s) you want—Equifax, Experian, and/or TransUnion.
 - Answer security questions: former addresses, amount of a loan you have, phone numbers that have belonged to you, counties you may have lived in, etc.
- If you are unable to answer these questions, you will need to mail your request in.
 - You will save a PDF version of your report, print the report, or both.
- Be sure you do this in a safe and secure location. Avoid doing this on public computers (library).

HOW LONG IS INFORMATION KEPT ON A REPORT?



| | |
|----------------------------------|--------------|
| Open accounts in good standing | Indefinitely |
| Closed accounts in good standing | 10 years |
| Late or missed payments | 7 years |
| Collection accounts | 7 years |
| Civil judgments | 7 years |
| Chapter 7 bankruptcy | 10 years |
| Chapter 13 bankruptcy | 7 years |
| Unpaid tax liens | 10 years |
| Paid tax liens | 7 years |
| Credit inquiries | 2 years |

HOW TO IMPROVE YOUR SCORE

- Don't close unused credit cards.
- Don't open up new credit cards to increase available credit.



IMPROVING YOUR CREDIT SCORE



- Pay bills on time.
- Get current and stay current.
- Don't open a lot of new accounts too rapidly.
- Correct mistakes.
- Shop for loan rates within a focused period of time.
- Keep balances low on revolving credit.
- Pay off debt.
- Check your credit report.



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QUESTIONS

