Credit Score 101

Financial Literacy Week
Student Business Services
What is a Credit Score?

- A snapshot of your credit history
- A gauge for lenders to decide
  - Whether to lend to you?
  - How much?
  - At what interest rate?
• 3 Credit Bureaus (For profit not govt. affiliated)
  • Equifax (South East) 300-850
  • Experian (West) 330-830
  • TransUnion (Midwest) 300-850

• Private Score Calculating Companies
  • FICO 300-850
  • Vantage Score 300-850 (A-F)

Where does it come from?
What’s on my Report?

- Credit Information
  - Revolving Credit (Repayment can vary)
    - Traditional Credit Cards (Visa, MC)
    - Store Credit Cards (Target, Gap, Macy’s)
  - Installment Credit (Standard Monthly Payment)
    - Personal Loans
    - Car Loans
    - Mortgage
    - Student Loans
• Negative Information
  • Collections
  • Bankruptcies
  • Public Judgments (liens)
• Payment or Histories of
  • Utilities
  • Insurance
  • Medical Bills

Not on Credit Report
5 Main Factors

- Paymeny History 35%
- Utilization of Credit 30%
- Length of History 15%
- New Credit 10%
- Types of Credit 10%

How is my Credit Score Calculated?
1. Payment History 35%

- Most important factor of Credit Score

- PAY ON TIME!!!

- The larger the loan the greater the damage of a missed payment
2. Credit Utilization 30%

• How much of your credit allowance are you using?

• BEST SCORES – average 7% utilization

• Acceptable – 10 - 20 % utilization
3. Length of Credit History 15%

- How long has each account been open?
  - The longer the better
  - DON’T CLOSE OLD ACCOUNTS
• How often do you apply for Credit?

• Don’t open too many cards at the same time

4. New Credit 10%
5. Credit Mix 10%

- A Variety of Credit types improves your score
  - Revolving
  - Installment
  - Some larger balance some small balance
Poor Credit Can Cost You

Borrowers with poor credit can wind up paying significantly more in interest than their counterparts with good credit. This example shows how much interest borrowers with different credit scores will pay over the life of a 30-year, $300,000 mortgage (actual interest rates may differ).

<table>
<thead>
<tr>
<th>CREDIT SCORE</th>
<th>INTEREST RATE (TOTAL INTEREST PAID)</th>
</tr>
</thead>
<tbody>
<tr>
<td>620-639</td>
<td>6.22% ($362,869)</td>
</tr>
<tr>
<td>640-659</td>
<td>5.67% ($324,781)</td>
</tr>
<tr>
<td>660-679</td>
<td>5.24% ($295,711)</td>
</tr>
<tr>
<td>680-699</td>
<td>5.03% ($281,749)</td>
</tr>
<tr>
<td>700-759</td>
<td>4.85% ($269,907)</td>
</tr>
<tr>
<td>760-850</td>
<td>4.63% ($255,594)</td>
</tr>
</tbody>
</table>

Why is Good Credit Important?

www.balancepro.net
• Open a Credit Card
  • Bank Card or Store Card
• Don’t take on too much debt
  • Only what you can pay off each month
• Pay on time every time
• Keep older accounts open
• Be aware of your Credit Score

How to Build Credit?
• Pay down Outstanding Debt
  • More than the minimum each month

• Avoid allowing an account to go to collections

• Dispute inaccurate information on your Reports

• Be Patient

How to improve Bad Credit?
• www.balancepro.net
  • “Your Credit Report”
• www.creditcards.com
  • Components of Credit Score
• www.truecredit.com
  • Credit Bureaus and Score Calculation

• Find Your Personal Credit information for free at:
  • www.creditkarma.com

Resources
Questions

Thank you for joining us today!