



# Credit Score 101

Financial Literacy Week

Student Business Services

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- A snap shot of your credit history
- A gauge for lenders to decide
  - Whether to lend to you?
  - How much?
  - At what interest rate?

## What is a Credit Score ?

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- **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?**


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- 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

# What's on my Report ?

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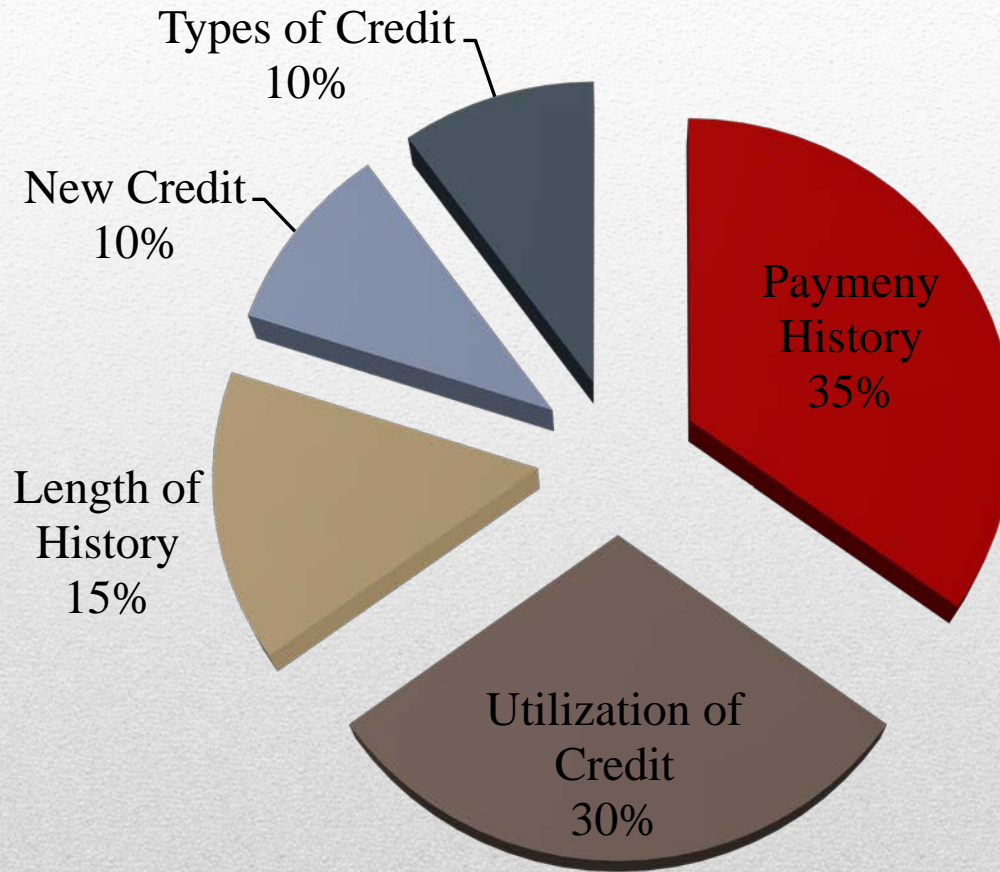
- Negative Information
    - Collections
    - Bankruptcies
    - Public Judgments (liens)
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- **Payment or Histories of**
  - **Utilities**
  - **Insurance**
  - **Medical Bills**
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Not on Credit Report

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## 5 Main Factors



How is my Credit Score Calculated ?

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- Most important factor of Credit Score
- **PAY ON TIME!!!**
- The larger the loan the greater the damage of a missed payment

1. Payment History 35%

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- How much of your credit allowance are you using?
  - **BEST SCORES – average 7% utilization**
  - Acceptable – 10 - 20 % utilization

## 2. Credit Utilization 30%

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- How long has each account been open?
  - The longer the better
  - **DON'T CLOSE OLD ACCOUNTS**

### 3. Length of Credit History 15%

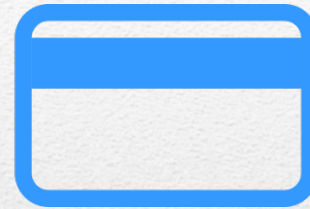
- How often do you apply for Credit?
- Don't open too many cards at the same time

## 4. New Credit 10%

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- A Variety of Credit types improves your score

- Revolving
- Installment



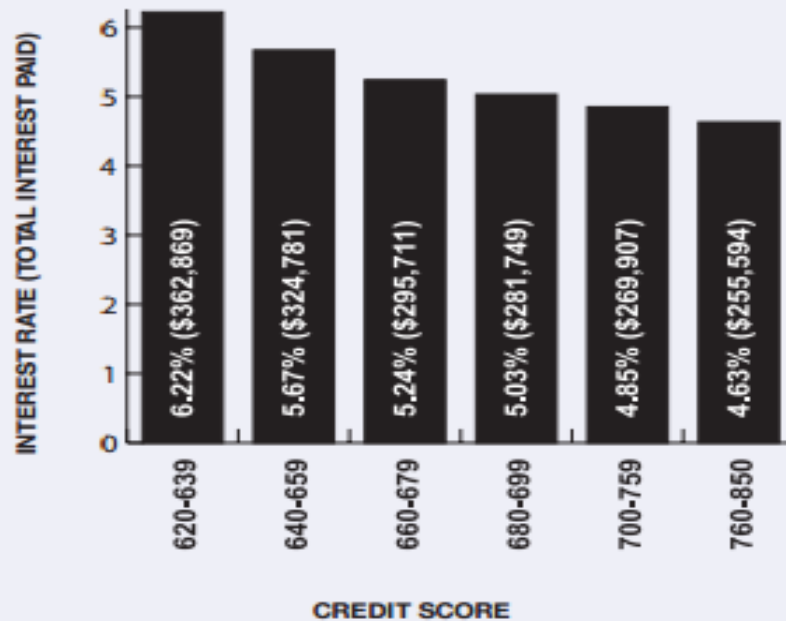
- Some larger balance some small balance

## 5. Credit Mix 10%

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### 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).



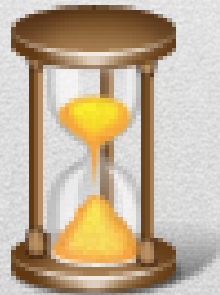
# Why is Good Credit Important ?

- **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 ?

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- 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 ?

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- [www.balancepro.net](http://www.balancepro.net)
  - “Your Credit Report”
- [www.creditcards.com](http://www.creditcards.com)
  - Components of Credit Score
- [www.truecredit.com](http://www.truecredit.com)
  - Credit Bureaus and Score Calculation
- **Find Your Personal Credit information for free at:**
  - [\*\*www.creditkarma.com\*\*](http://www.creditkarma.com)

# Resources

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# Questions

Thank you for joining us today!

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