

Establishing Credit

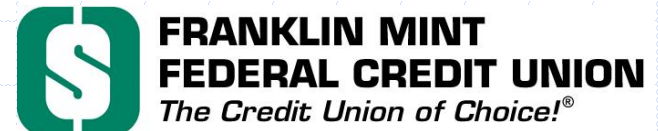


Presented By:



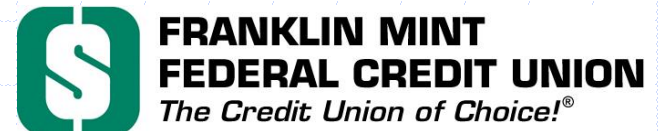
What is credit?

Credit is more than a plastic card you use to buy things --- it is your financial trustworthiness.



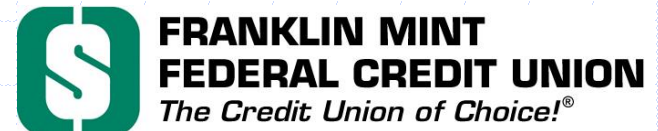
Why do you need credit?

- ◆ Renting an apartment
- ◆ Buying a house
- ◆ Buying, leasing or renting a car
- ◆ Cell Phone Service
- ◆ Buying online
- ◆ Getting a job



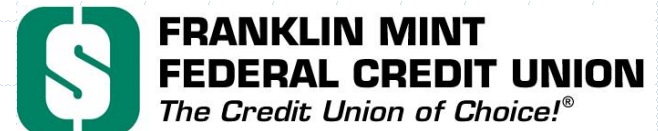
How to Establish Credit

- ◆ A utility account in your name
- ◆ Apply for a credit card and use responsibly
- ◆ Take out a small loan/line of credit
- ◆ Cell phone in your name
- ◆ Obtain a co-signer for a loan



Ways to damage your credit

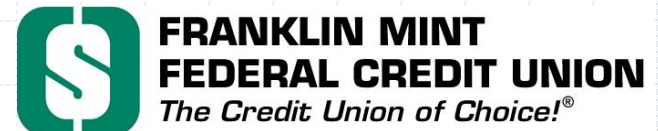
- ◆ Bankruptcy
- ◆ Missing payments
- ◆ Late payments
- ◆ Owing lots of money
- ◆ Irresponsible credit card use



Do's & Don'ts

- ◆ Older cards – don't close them. You want longevity in your credit history
- ◆ Simplify – close the newest account BUT not all at once. Your creditworthiness also considers the ratio of credit used to available credit
- ◆ SINGLE MOST IMPORTANT indicator of creditworthiness –

Paying your bills on time!



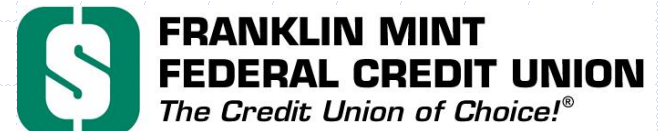
Advantages of good credit

- ◆ Low interest rates
- ◆ More options
- ◆ Saves you money

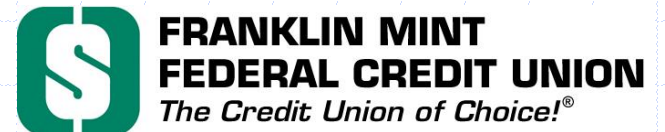


Disadvantages of Bad Credit

- ◆ High interest rates
- ◆ Lack of options
- ◆ Spend more money than you have
- ◆ Can be turned away
- ◆ Unable to get a mortgage!

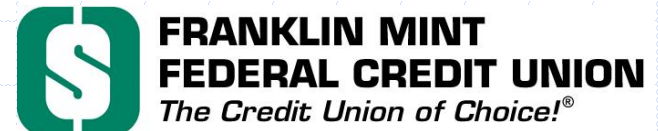


CREDIT CARDS



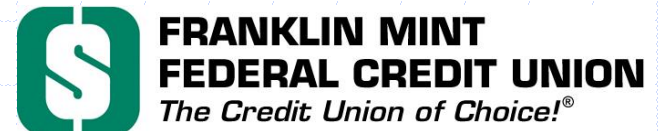
Advantages of Credit Cards

- ◆ A safe alternative to cash
- ◆ Builds a good credit history
- ◆ Bails you out of emergencies
- ◆ Gives you time to pay



Things to Know

- ◆ Interest rate
- ◆ Additional fees
- ◆ Payment amount and due date
- ◆ What happens if I can't pay my bill?



Paying the Minimum Balance

For Example

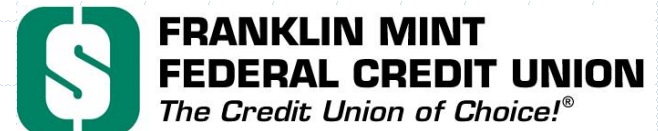
Paying More Than the Minimum

A person who charges \$2,000 on a credit card with 19.8% interest and an annual fee of \$40 will end up paying approximately \$8,202 over 31 years if the person makes only the minimum monthly payment. By doubling the minimum monthly payment and with no additional charges, this person could be out of this \$2,000 debt in three years.



Tips for Using Credit Cards

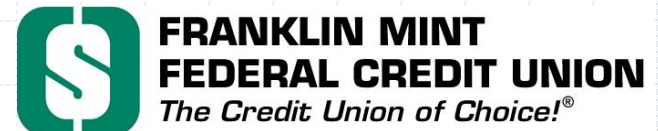
- ◆ Create a BUDGET
- ◆ Use your credit card to make small purchases
- ◆ Pay your entire balance before the due date on your bill
- ◆ Never lend it to anyone
- ◆ Never sign a blank charge slip



Fair Credit Reporting Act

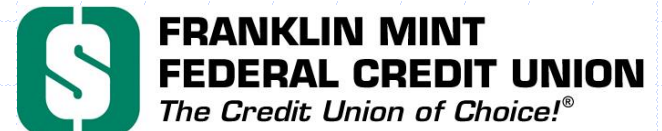
Some of your rights:

- ◆ You must be told if your file has been used against you
- ◆ You have the right to know what is in your file
- ◆ You have the right to ask for a credit score

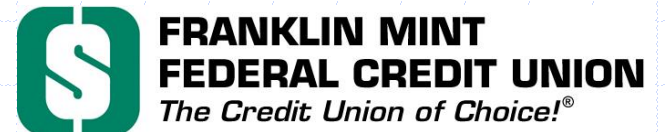


Credit History

- ◆ A record of your personal financial history
- ◆ A transcript of all your financial data, positives and negatives

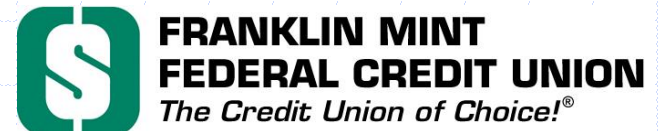


CREDIT REPORT



Credit Report

- ◆ Financial report card
- ◆ Identifying information
- ◆ Credit History
- ◆ Public records information
- ◆ Inquiries
- ◆ Collections actions

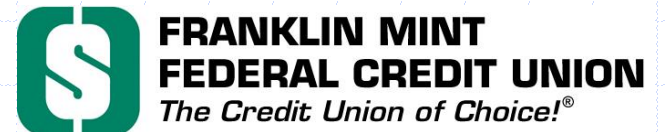


Credit Report

- ◆ Under the Fair Credit Reporting Act, you have the right to get a copy of your credit report from a credit bureau once a year for free
- ◆ www.annualcreditreport.com



CREDIT SCORE



Credit Score

The most popular credit today - FICO - is a number between 300 and 850, assigned to you. It helps lenders decide how creditworthy you are – the higher the score, the lower the risk.

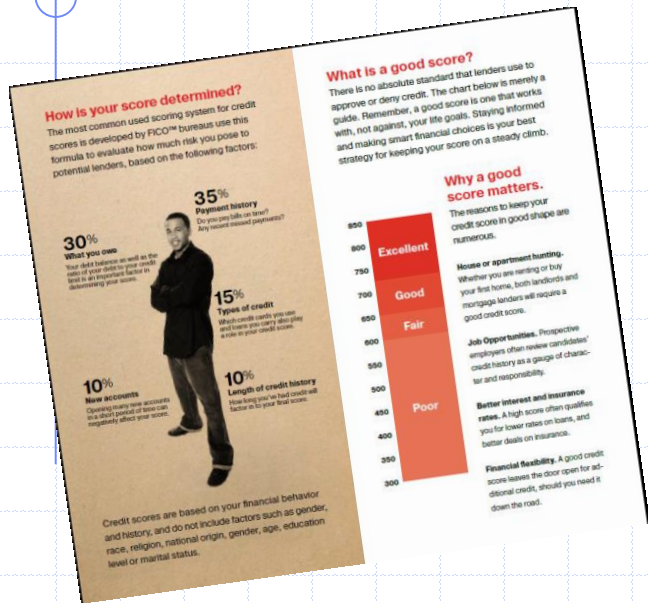


Credit Bureau

- ◆ Experian
- ◆ TransUnion
- ◆ Equifax



How FICO Scores are Calculated



<http://www.myfico.com/>

- ◆ 35% Payment history
- ◆ 15% Type of credit
- ◆ 30% What you owe
- ◆ % New accounts
- ◆ 10% Length of credit history



Credit Score & FMFCU

FICO
The score lenders use.™

Key Factors affecting your FICO® Score

Your FICO® Score, pulled on is the same score that FMFCU uses to manage your account.

Your FICO® Score is provided for your own non-commercial personal review use and benefit.

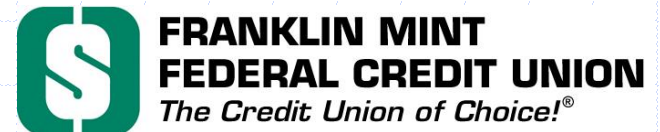
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FICO® Score	What it Means
830 or Higher	Lenders view this consumer as an exceptional borrower. Top 20% of consumers.
770 - 829	Lenders view this consumer as a very dependable borrower. Top 40% of consumers.
680 - 769	Most lenders consider this a good score. Near average score of U.S. consumers.
570 - 679	Some lenders approve loans with this score. Below average score of U.S. consumers.
Lower than 570	Lenders view this consumer as a very risky borrower. Lowest 20% of U.S. consumers.

For more information on the "Key Factors affecting your FICO® Score," please go to fmfcu.org/factorsguide.

Improve your credit score

- ◆ Always pay bills on time
- ◆ Get credit and Use it
- ◆ Don't max out your cards
- ◆ Don't be afraid to talk to your creditors
- ◆ Avoid opening new accounts to spread debt around
- ◆ Monitor your credit



QUESTIONS?

THANK YOU!

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