

# Understanding your Credit

Presented by:



# FICO Scores

- What is a FICO Score?

# What is a FICO Score ?

- Simply stated a FICO Score is your financial photograph that is viewed every time you are in the market for products and services.

# Why Is It Called FICO?

- Credit bureau scores are often called FICO because the software that calculates the score in the U.S. is developed by Fair Isaac & Company.

# Credit Bureaus

- Can you name the 3 major credit bureaus?

# Credit Bureaus

- Equifax
- Experian
- Trans Union

# Who Is Sending The Credit Bureaus My Personal Payment Information?

- Banks
- Credit Card Companies
- Credit Unions
- Landlords
- Utility Companies
- Finance Companies
- Retail Merchants
- Internal Revenue Service
- Court Systems
- Local & State Governments
- Automobile Finance Companies

# What Information?

- What information do the credit bureaus collect and report on consumers?

# These Credit Bureaus Have Massive Files On:

- Your payment history
- Amount you owe
- Length of history on file
- New credit – recently opened loans and/or credit cards
- Type of credit you owe (credit cards, automobile loans, mortgages, personal loans)

# Composition of FICO Scores

- Your payment history – 35%
- Amount you owe – 30%
- Length of history on file – 15%
- New credit – recently opened loans and/or credit cards – 10%
- Type of credit you owe (credit cards, automobile loans, mortgages, personal loans – 10%

# What is the Range?

- What is the range of FICO Scores?
- Is lower or higher better?

# What is the Range?

- FICO Scores range from:
- 300 to 850
- The Higher The Better!

# How Are FICO Scores Used?

# How FICO Scores Are Used?

- Every time you apply for any type of credit, lenders inquire to the credit bureaus for your credit history which includes your FICO Score.

# What Does a Low Score Mean?

# What Does a Low Score Mean?

- Being charged excessively high loan rates.
- Elimination from being considered for credit and
- Needing larger escrow deposits for apartments, utilities, etc.

# What Does A High Score Mean?

# What Does A High Score Mean?

- The higher the score, the lower the interest rate.
- Lower monthly payments.
- Saves money over the terms of the loan.
- Empowerment to borrow for what ever you want when ever you want at the best rate available!

# What Does That Mean In Dollars?

- FICO Score of 600
- \$20,000 automobile loan
- APR 12.69%\*
- Monthly Payment - \$451.68
- Total Finance Charges - \$7,130.30
- NBA Credit Union Annual Percentage Rate for 600 FICO Score

# What Does That Mean In Dollars?

- FICO Score of 700
- \$20,000 automobile loan
- APR – 6.49%
- Monthly Payment \$391.12
- Total Finance Charge - \$3,481.36

# Bottom Line

● FICO 600	FICO 700	Savings
● Poor Credit	Good Credit	
● \$451.68/mo	\$391.12/mo	\$60.56/mo
● \$7,130.30	\$3,481.36	\$3,648.94

# Imagine

- Imagine the difference when the loans are larger.
- Imagine the difference over a lifetime.

# What Is Not Used In Your FICO Scoring?

- Race, religion, marital status, or sex
- Your income or employment history
- Where you live
- Any information that is not on your credit report

# How to Get Your Credit Reports Free

- By law, each of the three credit bureaus must give you a free credit report once a year.
- [www.nbacu.org](http://www.nbacu.org)
  - Home Page
  - FREE Credit Reports!  
As of September 1, 2005 all consumers are entitled to 1 Free credit report per year from each of the 3 major credit bureaus.  
[Order your copy now.](#)
  - These free credit reports do not include your FICO Score.

# Warning!

- You may have seen all sorts of ads offering you a “free” credit report. Be very careful: These are free only if you sign up for additional services that have costs related.
- In order to get your FICO Score you will have to pay a fee.

# Ask Yourself

- I am fairly sure most of us in this room have a very good idea where we stand on the FICO Scale.

# Ask Yourself

- Once you get your credit reports it's fairly easy to determine if you have a low or high FICO Score.
- If you can't sleep at night not knowing, NBA Credit Union will get your score for you. Just stop by!

# Check Your Credit Report

- Because your FICO score is based on the information held by the three credit bureaus, you need to check the information being reported.

# Check Your Credit Report

- If you find any erroneous information, you will need to contact the credit bureau and file a challenge; the bureau you contact is required to pass along your information to the other two bureaus.

# Equifax Contact Information

- Equifax Credit Information Service
  - PO Box 740241
  - Atlanta, GA 30374
  - 1-800-685-1111
  - [www.equifax.com](http://www.equifax.com)

# Trans Union Contact Information

- Trans Union Consumer Disclosure Center
  - PO Box 1000
  - Chester, PA 19022
  - 1-800-916-8800
  - [www.transunion.com](http://www.transunion.com)

# Experian Contact Information

- Experian Consumer Assistance  
PO Box 2002  
Allen, TX 75013  
1-888-397-3742  
[www.experian.com](http://www.experian.com)

# How Can I Boost My FICO Score?

# How To Boost Your FICO Score

- Make sure you have at least one credit card in your name only. This establishes a history with the credit bureaus and represents 15% of your total score.

# How To Boost Your FICO Score

- If you don't initially qualify, start with a secured credit card that reports your payment to the credit bureau.

# How Can I Boost My FICO Score?

- NBA Credit Union offers secured credit cards and we do report to the credit bureaus.

# How Can I Boost My FICO Score?

- Open and read your monthly account statements when they arrive; check for mistakes and over billing, and take note of the payment due date.

# How To Boost Your FICO Score

- Always make your payments on time – before the due date. No excuses.

# How To Boost Your FICO Score

- Get serious about getting rid of old unpaid balances.

# How To Boost Your FICO Score

- Be prepared for events that life can throw at you. 48% of all foreclosures are due to disability.\*

\*Social Security Administration

# Can I Do This?

- Absolutely. In fact you can't afford not to do it.
- The results will not happen overnight.

# Beyond Borrowing

- Credit Scores are also reviewed when:
  - You apply for automobile insurance
  - If you want to rent an apartment
  - Obtaining telephone service
  - Obtaining utility service

It all can cost you more!

# Imagine

Opening a credit card bill each month and knowing you will be able to pay it off.

Knowing you have done everything possible to take care of your family if something happens to you.

# Imagine

- Owning your home outright someday. No more mortgage payments and no one can ever take it away from you.
- One day you will be able to retire comfortably.

# Imagine

- Raising children who have learned from you the wisdom of living within you means, rather than living out of control.

# Final Thoughts

- Anyone who has it in them to run a household, run a company, run a department of a company, run a car pool, or run a marathon is fully equipped to take control here.

# Where Can I Get Help!

- NBA Credit Union offers:
  - Credit Counseling
  - Debt Consolidation Loans
  - Secured Credit Builder Loans
  - Secured Credit Cards

# NBA Credit Union

It's where you belong!

