CREDIT SCORE

PRESENTED BY:
NUMERICA CREDIT UNION

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CREDIT & BORROWING OVERVIEW

KEYWORDS IN THE CREDIT WORLD

Annual Fee – A fee you pay each year to have a specific card. Typically applies to a rewards card that gives airline miles, cash back or other gifts for using the card.

Balance Transfer Fee – The fee you might pay to move a balance on a high interest rate card to one with a lower rate.

Cash Advance Fee – A fee for taking out cash on your credit card. The interest rate could be very high. Try to avoid this!

Creditor – A person or company whom money is owed to.

Credit Limit – The amount of money you can borrow at any one time. If you go over that limit you may be charged a fee.

Debt Collector & Collection Agencies – When lenders don't receive payment of a loan for an extended period of time, they often find another company (or an affiliate company) to collect the past-due amount. Sometimes a collector will agree with a lender to collect the debt in exchange for a fee or for a percentage of the money collected as payment. Or a third party will purchase your debt from the creditor for less than you owe, and then attempt to collect the full amount from you. Having debt sent to a collection agency is very damaging to your credit score and can impact your score negatively for up to seven years.

Grace Period – The amount of time that is given before interest kicks in. If you can pay your balance in full, make sure you do so within your grace period.

Subprime – Also known as second chance lending, as this population presents a lot of credit risk.

LOAN TYPES

Auto Loans – Loans come from your financial institution or from the car dealership directly to purchase a car.

Mortgage Loans – Borrowing money with interest from financial institutions to buy a home for an extended time. If you fall behind on loan payments for an extended time, you risk foreclosure. Mortgages have some of the lowest interest rates of any loans.

Personal Loans – Used for any personal expenses. Could be used to consolidate high interest rate loans. Personal loan terms (the length of the loan) depend on your credit history.

Payday Loans – Short-term, VERY high-interest loans designed to bridge the gap from one paycheck to the next. They are predominantly used by repeat borrowers living paycheck to paycheck. ***Some of these loans can be up to 780% interest.***

Student Loans – Borrowing of money by students or their families to help cover the cost of college. Two main types of student loan lenders are the Federal Government and private lenders. Federally funded loans typically come with lower interest rates and more borrower-friendly repayment terms.

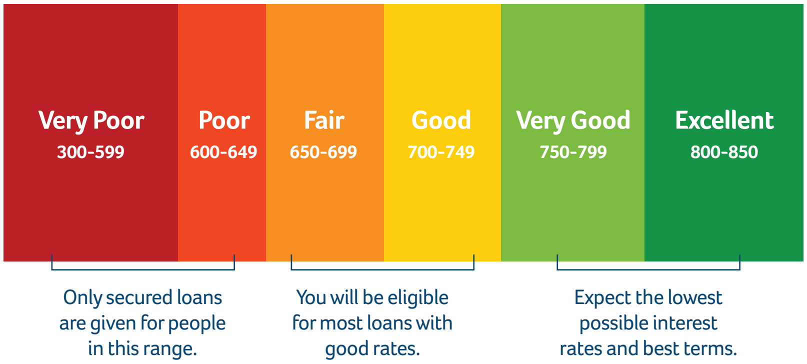
WHY GOOD CREDIT IS IMPORTANT

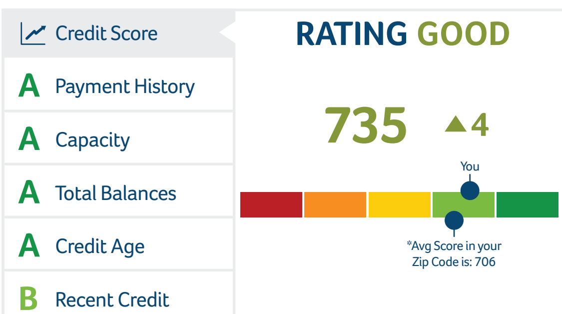
Your credit score is like a report card of your trustworthiness. It shows that you have taken on a debt with the promise to pay it back.

Your credit score can make a difference in:

- Car loan's approval and interest rate
- Getting a job
- Renting a house
- Getting a mortgage loan (and it's rate!)
- Starting a business

CREDIT SCORE





Credit is tricky – and can be hard to understand. If we think of it like a report card, A's are good and F's are bad.

A higher score results in a lower interest rate. For example:

CREDIT SCORES AND CAR LOANS		
FICO SCORE	APR %	MONTHLY PAYMENT
720-850	3.70%	$441
690-719	5.13%	$450
660-689	7.30%	$465
620-659	11.01%	$491
590-619	16.04%	$528
500-589	17.19%	$536

This table shows how FICO credit scores affect the APR and monthly payments on a $15,000 car loan with a 36-month term. Source Home Buying Institute. APR percentages and monthly payments are for educational purposes only.

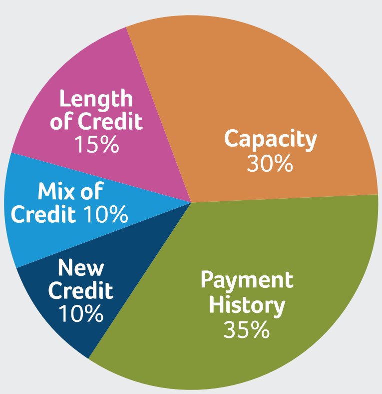
The interest rate that you receive on a loan is based partially on your credit score.

Your credit score is "use it or lose it." Once you have built that great credit score, it's important to continue to use credit wisely.

For example, use your credit card for recurring payments and pay the card off before the due date each month.

Currently have debt? The best thing you can do is stop creating more debt. It's hard to get out of debt if you continue to add more.

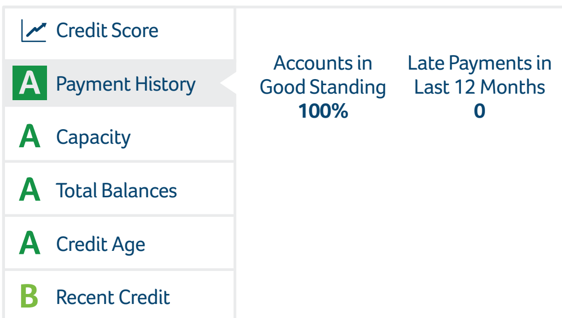
FICO ignores race, color, religion, age, national origin, sex, marital status, where you live, salary, your employer & occupation, any rate being charged.



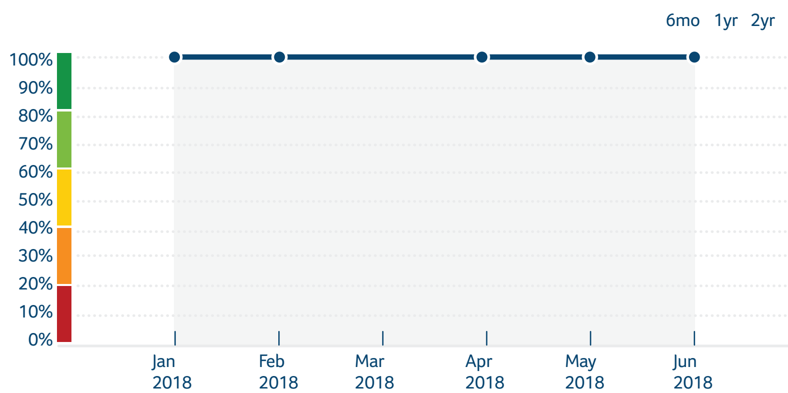
YOUR CREDIT SCORE IS BASED ON FIVE MAIN CATEGORIES

FICO® SCORE BREAKDOWN

1. PAYMENT HISTORY



PERCENT OF ACCOUNTS IN GOOD STANDING



Your payment history makes up 35% of your credit score! That means just by paying your bills on time you could boost your score. However, paying your bills late might have a huge negative impact on your score.

Missing one payment could drop your score by as much as 100 points.

It can take anywhere between nine months and seven years to rebuild your credit after a missed payment of at least 30 days.

Annual percentage rates (APR) can be as high as 29.99% on some credit cards or loans. If you are making your payments on time and have a good credit score, often you can negotiate the rate down, as your credit score goes up.

COLLECTIONS IMPACT	
WEIGHT	TIME
93%	0-12 Months
60%	12-24 Months
44%	24-36 Months
33%	36-48 Months
22%	4 or More Years

INTERESTING INTEREST FACTS

Earning Interest – Depositing (putting money into an account) is like lending money to the credit union. They'll use your cash to make loans to other members. The credit union will pay you interest, based on the amount you have in savings, Certificates and sometimes your checking accounts. Credit unions typically offer higher rates of return on deposited funds.

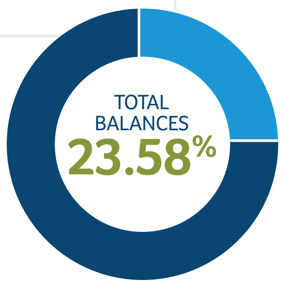
Paying Interest – The interest rate you pay depends on several things, credit score, length of the loan, and the current market rates. In a nutshell, paying interest is like paying an additional fee to borrow money. Credit unions typically will offer much lower interest loan rates.

2. CAPACITY

Credit Score		
A Payment History		
A Capacity	Usage on credit cards **24%**	Usage on retail cards **12%**
A Total Balances		
A Credit Age		
B Recent Credit		

TOTAL CREDIT UTILIZATION

$47,520 TOTAL CREDIT LIMIT
$11,203 TOTAL BALANCES
$36,317 AVAILABLE CREDIT



Your credit capacity makes up 30% of your credit score. Capacity refers to what you owe vs. your available credit on revolving accounts.

When a high percentage of your available credit is used, this can indicate that you are overextended and potentially more likely to make late or missed payments.

Keeping your usage under 30% maximized this category.

Besides the impact to your credit score, having too much debt can negatively impact your physical and mental health by preventing you from reaching your financial goals.

3. CREDIT MIX

Your credit score is also based off your mix of credit cards, retail accounts, installment loans, finance company accounts and mortgage loans. Credit mix determines 10% of your credit score.

Remember, it's not necessary to have one of each and it's not recommended to open credit accounts you don't need or intend to use. Your credit mix usually won't be a key factor in determining your score – but will be more important if your credit report does not have a lot of other information to base your score upon.

CREDIT MISTAKES

Credit activities such as late payments can have a lasting impact. Here is a breakdown of how long some of the more common activities stay on your credit report:

Inquiries	2 Years
Late Payments	7 Years
Collections Accounts	7 Years from delinquency
Charge Offs	7 Years from original delinquency
Closed Accounts	10 Years from date closed
Chapter 7 Bankruptcy	10 Years from filing date
Chapter 13 Bankruptcy	7 Years from filing date 10 Years if payments not paid
Foreclosure	7 Years from date of delinquency
Tax Liens	7 Years from filing date or until satisfied
Unpaid Tax Liens	Indefinitely from the date reported

4. LENGTH OF CREDIT

Credit Score		
A Payment History		
A Capacity		
A Total Balances		
A Credit Age	Oldest Account **19 Years 6 Months**	Average Age of Credit **7 Years 10 Months**
B Recent Credit		

Length of credit determines 15% of your credit score. On average, how long have you had your credit cards? You can determine this by adding together the length of time you have had each card and then dividing by the total number of cards.

CREDIT CARDS	AGE
Credit Card #1	19 Years 6 Months
Credit Card #2	2 Years
Average Age	7 Years 10 Months

5. NEW CREDIT

Credit Score		
A Payment History		
A Capacity		
A Total Balances		
A Credit Age		
B Recent Credit	Recent Inquiries **2**	Last Inquiry **May 2018**

New credit or new lines of credit determines 10% of your credit score. Because new accounts impact your length of credit average, your overall score may also be impacted. For example, if you added new lines of credit:

Previous Length of Credit: **6 years**

CREDIT CARDS	AGE
Credit Card #1	10 Years
Credit Card #2	2 Years
NEW Credit Card #3	0 Years
NEW Credit Card #4	0 Years
NEW Credit Card #5	0 Years
NEW Credit Card #6	0 Years
New Length of Credit	2 Years

Closing cards and opening new ones can negatively affect your score.

Research shows that opening several credit accounts in a short period of time represents a greater risk - especially for people who don't have a long credit history.

The longer the time in-between inquires the less impact the credit checks will have on your score.

Keep it simple. Two to three credit cards is a great way to build credit. Limiting the number of cards you have helps curb your spending. The trick is to pay off the balance each month.