

# Financial Literacy Event Handout

## Give Yourself Some Credit

### EVENT KEY NOTES

- ✓ The 5 C's of Credit – what lenders look for:
  - Credit history
  - Capacity
  - Collateral
  - Capital
  - Conditions
- ✓ Revolving credit: Credit Cards, Unsecured Lines of Credit, Home Equity Lines of Credit.
- ✓ Installment Loans: Personal Loans, Car Loans and Mortgages.
- ✓ What makes up your credit score:
  - 35% Payment history
  - 30% Amount you owe
  - 15% Length of credit history
  - 10% New credit opened
  - 10% Types of credit you have
- ✓ Usually, the higher the credit score, the lower the interest rate you may be offered when applying for a loan.
- ✓ Credit scores DO NOT consider the following:
  - Race, color, religion, national origin, sex or marital status.
  - Your age: Other types scores may consider your age but FICO scores do not.
  - Your salary, occupation, title, employer or employment history.
  - Where you live.
  - Interest rate being charged on a particular credit card or account.
- ✓ Additional information that appears on your credit report:
  - Personal information – Your name, birthdate, social security number and current and past home addresses, phone numbers and current and past employers.
  - Accounts – A list of your credit accounts, including revolving credit accounts and mortgages and auto loans. This includes creditor names and balances.
  - Public records – Court judgements, bankruptcies and tax liens.
  - Recent Inquiries – Who has recently asked to see your credit report?
  - Public records
- ✓ All three credit bureaus rate your credit worthiness.
  - TransUnion
  - Equifax
  - Experian
- ✓ Check your credit report once a year to make sure it's accurate. You can obtain a free copy of your credit report free 1 time annually through Annual Credit Report by calling 1-877-322-8228 or by going to [annualcreditreport.com](http://annualcreditreport.com)

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✓ A FICO score is used to rate your credit worthiness.

✓ What Your FICO Score Means to Lenders

- 579 or Less: Lenders view you as a very risky borrower.
- 580 – 669: Some lenders will approve loans with this score.
- 670 – 739: Most lenders will consider this a good score.
- 740 – 799: Lenders view you as a very dependable borrower.
- 800 + Lenders view you as an exceptional borrower.

✓ When looking for credit, always take into consideration the following:

- How much do you need to finance?
- What are the interest rates?
- What will my month payment be?
- What is the best term to meet my budget?

With all of these questions answered, chose the option that is the best value for you and the item you are purchasing.

✓ Why Do I Need Good Credit?

The difference between a good credit score and a fair credit score. EXAMPLE: On a \$25,000 car loan that you want to pay off in 3 years (36 months), below is the difference in what a good and a fair credit score can make in your monthly payments.

Credit Score	APR	Monthly Payment
620 – 649 (Fair)	15.50%	\$873
740 – 799 (Very Good)	4.34%	\$742

Assuming the interest rates above, if you have exceptional credit, you could save \$130 a month on your car payment. If your credit score is lower than average, you could pay almost \$4,716 more for your car during your 36 month term.

✓ Ways to Improve Your Credit Score

- Review your credit report annually.
- Pay your bills on time.
- Pay down revolving debt.
- Ensure credit limits are reported correctly.
- Ensure derogatory items on your credit report are removed.
- Consider using an old card as the length of one's credit is important to establish good credit.
- Closing old accounts can hurt you by reducing the average age for your credit and credit history.

✓ Protecting Your Identity: It's important to protect your identity. If someone steals your identity, it can have a huge impact on your credit score.