



McGraw-Hill
Federal Credit Union

Financial Wellness

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Survey Says:

- **48%** correctly indicated that a credit score represents risk of not repaying a loan
- Two out of every three Americans believe, **incorrectly**, that age is a factor in determining credit scores
- **42%** knew that cell phone companies and landlords use credit scores to determine service offerings and price



Credit Report Basics

- Contains your key personal information
 - Name, address, birth date, martial status
- Whether or not you've been sued
- Any public records, tax liens, collection accounts, or bankruptcy filings
- Current or former employers (if available)
- Account information: credit card and loan payment history
- Inquiries





Account Information

- Lender name and account number
- Date opened and closed - if applicable
- Original and current balance
- Monthly payment amount
- Payment history
- Current status (paid as agreed, 30 days late, etc)



Inquiries

- Nothing that indicates if you were approved or denied for the credit
- Not all inquiries effect your score - 'soft inquiries'
 - Promotional inquiries
 - 1-888-5OPT-OUT
 - Account review inquiries
 - Employment and insurance inquiries
 - Ones you request





Which Public Records Show Up?

- Bankruptcy for 10 Years – Chapter 7 and Chapter 13
 - Chapter 7 – Discharge debts except for child support, alimony and tax obligations
 - Chapter 13 – Wage Earners
- Tax Liens for 7 Years - if it is settled will become released
- Judgments for 7 Years- lost at trial or never responded (if re-filed, can be extended for another 7 years)



Seven Key Facts About Credit Reports

- 1.They are simply a compilation of the facts – it's up to the lender to judge whether they are good or bad
- 2.They can change often - as the data is updated regularly
- 3.The three major Credit Bureaus are private, for profit companies, and they don't share your information
- 4.If the data is wrong – your score will be wrong
- 5.You are entitled to one free copy a year
- 6.Lenders aren't required by law to report your information
- 7.You have the right to dispute mistakes on your file



What Makes Up Your Credit Score?

- **35%** is your payment history
- **30%** usage or capacity
- **15%** age of your accounts
- **10%** account mix
- **10%** inquiries



Top 10 Credit Score Factors

1. Your age has nothing to do with your score
2. Your marital status does not affect your rating
3. How you handle your money on your debit card does not affect your credit
4. Checking your report will not hurt your score
5. Keep your credit card balance low and don't apply for many different credit cards at the same time



Top 10 Credit Score Factors

6. Pay your bills on time
7. Credit repair isn't everything it's cracked up to be
8. Don't max out your cards
9. Check your report regularly
10. Pay your new debts first



What is a Good Score?

- A **GOOD** score is 680 to 724
- A **GREAT** score is 725 to 759
- A **SUPERB** score is 760 to 850



A late payment of more than 30 days can lower your score by 100 points!



Ways to Ruin a Perfect Credit Score

- Run up large balances on your credit cards (even if you pay them off every month)
- Assume your spouse or partner's credit actions have nothing to do with yours
- Close or open several accounts at once
- Co-sign for a friend or family member
- Don't check your credit report on a regular basis



Capacity Calculations

Current Credit Profile	After 'Clean-Up'	Proposed
Visa \$10,000 Line Usage \$5,000	Visa \$10,000 Line Usage \$5,000	Visa \$15,000 Line Usage \$5,000
Mastercard 10,000 Line Usage Zero	CLOSED	CLOSED
Visa \$10,000 Line Usage \$2,000	Visa \$10,000 Line Usage \$2,000	Visa \$15,000 Line Usage \$2,000
Nordstrom \$5,000 Line Usage \$3,000	Nordstrom \$5,000 Line Usage \$3,000	Nordstrom \$5,000 Line Usage \$3,000
Kohl's \$2,500 Line Usage \$1,000	Kohl's \$2,500 Line Usage \$1,000	Kohl's \$2,500 Line Usage \$1,000
Capacity: 29%	Capacity: 40%	Capacity: 29%



Credit Crunch

How housing missteps affect your credit score.

	ESTIMATED STARTING SCORE			APROXIMATE TIME TO RETURN TO ORIGINAL SCORE		
	680	720	780	680	720	780
30 days late on mortgage	600-620	630-650	670-690	9 months	2.5 years	3 years
Short sale or deed in lieu of foreclosure	610-630	605-625	655-675	3 years	7 years	7 years
Foreclosure or short sale with amount of unpaid balance disclosed	575-595	570-590	620-640	3 years	7 years	7 years



Way to 'Rock' Your Score

- Watch your ratio of available credit
- Don't apply for credit unless you need it
- Patiently build your credit history by paying your bills on time

CREDIT SCORE

720-850

700-719

675-699

650-674

560-619

500-559



**Remember Just Because Someone Will Lend it To
You Doesn't Mean You Should Borrow It!**



Ways You Authorize Access to Your Credit Report



- Your signature on an application
- Your acceptance of terms on an online application
- Your conversation on a recorded line with a creditor



Newest Credit Model – FICO 08

Some of the differences with this new model:

- Debts of less than \$100 will not have as great as negative impact
- Higher credit utilization will hurt your score more
- A mix of credit type will have a more positive effect
- Piggybacking is all but eliminated
- Mortgage re-structure activities will be easier to distinguish - for example falling behind on mortgage, but paying all the other debts on time

TransUnion and Equifax are the only ones using this new model



Fair Credit Reporting Act (FCRA)

- This federal act promotes accuracy, fairness, and privacy of information in the files of consumers
- You have the right to know what is in your file
- You must be told if information is used against you
- Requires credit agencies to respond to disputed information in a timely manner – usually within 30 days, and offer to send updated reports to anyone who used your file in the last 2 years for employment, or in the past 6 months for credit purposes



Security Freeze

- Protects your privacy and ensures that credit is not granted in your name without your knowledge
- A Freeze prohibits the release of any information in your credit report without your express authorization or approval
- Does not apply to existing relationships



Granting Access to a Frozen File

- You must provide the agency with the PIN or password they have given you
- Authenticate your identity
- Identify the third party who is requesting the information
- The agency has three days to comply with your request





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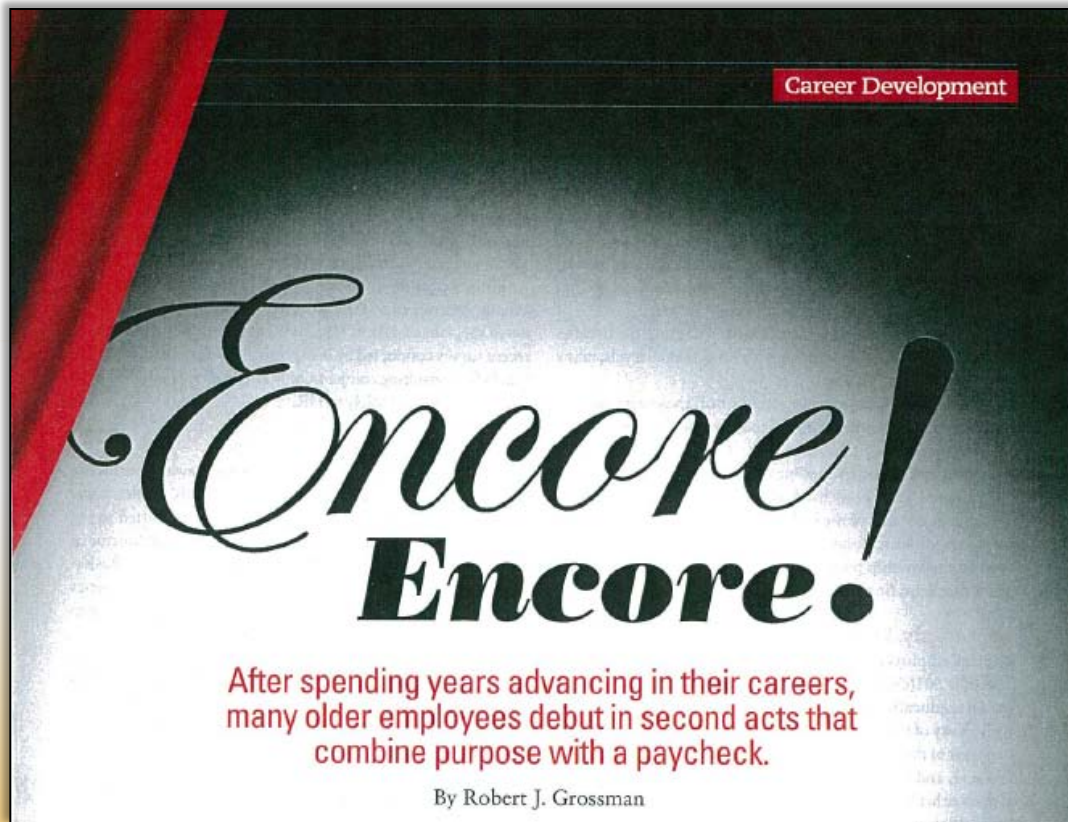
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Lifecycle in the News



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GET STARTED!

Schedule a complimentary 30-minute call with our Certified Financial Planner at a time convenient for you.