Build a Strong Credit History

Brought to you by
The New York University Federal Credit Union
Seminar Objectives

Learn:

- Who needs to build good credit, and why
- Significance of credit report and score
- How to establish credit if you don’t have any
- How to rebuild a good credit history
- Tips for using credit wisely
- Pitfalls that cost you plenty
- Your rights and responsibilities
Why build good credit?

Implements your:

- Image in eyes of lenders
- Ability to get credit
  - Loans, apartment, insurance, credit cards, job
- Chances of getting lower interest rates on loans and other forms of credit

New York University Federal Credit Union
What’s in a credit report?

- Identifying information (name, SSN, date of birth, address)
- Employment history
- Creditors and payment history
- Bankruptcies, judgments, liens, lawsuits
- Inquiries you initiated (loan and credit applications, but not credit card solicitations)
Who can look at your credit report?

- Lenders
- Landlords
- Potential employers
- Insurance companies
How to order your credit report

- Annualcreditreport.com (FACT Act)
- Mail request letter
- Call 877-322-8228

Or, order through “Big 3” credit bureaus:
- Equifax 800-685-1111
- Experian 888-397-3742
- TransUnion 800-888-4213
If your credit report has errors …

The law entitles you to correct mistakes:

- Write to credit bureau
- Bureau has 30 days to investigate, notify you of results, and delete inaccurate information
- Disagree? Write dispute statement for your file
What’s a credit score?

- Number that represents creditworthiness
  - The higher the number, the better
  - Changes over time, depending on payment history

- Answers the question, “How likely are you to repay the loan?”

- Range:
  - FICO® – 300 to 850
  - VantageScore: 501 to 990

- Order your score from “Big 3” or myfico.com
FICO Expansion™ Score

- For people who lack traditional credit history
- Based on:
  - Deposit account records, payday loan repayment, purchases made on payment plans, and other nontraditional data
- Who does it help?
  - Recently divorced or widowed
  - Immigrants
  - Young adults who are just starting to handle finances
  - Those who prefer to pay for services with cash
Components of FICO credit score

Payment history (35% of score)
  Do you pay bills on time?
Amounts owed to creditors (30%)
  Do you owe a lot of money to a lot of people?
Length of credit history (15%)
  How established is your credit history?
New credit (10%)
  Are you increasing your debt obligations?
Types of credit currently in use (10%)
  Do you have a “healthy mix”?
Tips to build a strong credit score

- Pay all bills on time
- Keep credit utilization ratio < 25% of available credit
- Don’t close all old accounts
- Don’t open a flurry of new accounts
- Don’t co-sign if other person has bad credit
- Pay your library fines

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How to *rebuild* a good credit history

- Order credit report; correct errors
- Pay all bills on time
- Pay down debt (consider consolidation loan)
- Establish emergency fund as backup
- Apply for small line of credit; pay on time
- Apply for secured credit card
- Get automated bill-pay and direct deposit
- Get help from CU or local CCCS
Tips for using credit wisely

- Charge small amounts; pay on time
- Pay in full, or more than minimum
- Avoid minimum payment trap
- Don’t max out cards
- Avoid late and over-the-limit fees
- Avoid cash advances
- Don’t open flurry of new accounts
Warning signs you have too much debt

- Only make minimum payments
- At or near credit limit on cards
- Don’t know how much you owe
- Use cash advances to pay other bills
- Denied credit, or denied credit purchase
- Get calls from collection agencies
- Lie to spouse or family about spending
- More of total income going toward debts
Beware the pitfalls

- Credit repair clinics
- Rent-to-own
- Payday loans
- Pawn shops
- High-interest debt consolidations

(Continued)
More pitfalls …

- Debt settlement
- Temptation from credit offers
  - To get off most solicitation lists … Call 888-5opt-out; Visit optoutprescreen.com
- ID theft, phishing, vishing, smishing, and pharming
- Home equity scams
- Bankruptcy “sting” on credit report
Your rights and responsibilities

- Get credit reports (per FACT Act)
- Ask “why” if you’re refused credit
- Contact creditors to work out repayment plan
- Report violations of Fair Debt Collections Practices Act
What debt collectors cannot do

- Use threats or violence
- Use obscene or profane language
- Publish list of consumers who refuse to pay debts
- Repeatedly use the phone to annoy someone
- Use false statements or give false information
- Use a false name
- Send what looks like government/official documents
- Contact you by postcard
- Deposit post-dated check prematurely
- Threaten to take your property (unless it’s legal)
Case Study: You make the call

- Top priorities
- Credit-building strategies
- Future benefits from good credit
- Pitfalls to avoid
- Resources available
Checklist: Are you ready?

- I have the basics in place: budget, tracking system, emergency fund.
- I plan to pay all bills on time.
- I plan to get my credit report and correct errors.
- I plan to take steps to increase my credit score.
- I plan to keep my utilization ratio below 25%.
- I plan to pay down debt.
- I understand the potential pitfalls.
Resources

Credit Union National Association
www.creditunion.coop
(Has calculators, budget worksheets, and credit and debt resources)

Fair Isaac Corporation
Myfico.com

Consumer Credit Counseling Service
Nfcc.org or 800-388-2227

Equifax 800-685-1111
Equifax.com

Experian 888-397-3742
Experian.com

TransUnion 800-888-4213
Transunion.com

Federal Trade Commission
FTC.gov
Remember … your credit union can help you with all your financial challenges.

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