



## The Healthy Credit Seminar Presentation Outline

The purpose of the Healthy Credit seminar is to share tips on how to build, manage and monitor your credit to set yourself up for financial success.

**This seminar will review key strategies on how to have healthy credit:**

1. Introduction to managing and monitoring your credit
2. Understanding credit scores
3. Building a higher credit score
4. Understanding your credit

*\*The moderator will open questions to the audience after each section of the presentation.*



#CFCUeducates

# Meet Our Speakers

## Greg Jenkins, Congressional Federal Credit Union

Greg is a Consumer Lending Director with over 16 years of experience in consumer lending management within the credit union industry, including experience in consumer credit finance, financial counseling, and portfolio management. He is committed to helping credit union members meet their lending needs and financial goals, and has been directing the Consumer Lending Department of Congressional Federal Credit Union since March 2015.

## Jay Patton, TransUnion

Jay is an Account Executive who has spent the majority of his career in the financial services industry. He has experience working with different types of organizations such as credit unions, banks, finance companies, collection agencies, and diversified markets. He is dedicated to overseeing the relationship and business development efforts of both his existing accounts and prospects in the Mid-Atlantic region to ensure the best quality service.



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# 10 Warning Signs of Credit Trouble



1. Paying only the minimum on your credit cards
2. Charging more each month than you pay
3. Using credit for items that used to be purchased with cash
4. Having a total credit balance that rarely decreases
5. Being near your credit limit and applying for new cards
6. Needing a consolidation loan to pay existing debt
7. Not knowing the total amount you owe
8. Feeling stress about your finances
9. Draining your savings to pay debts
10. Making bill payments late

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# USING CREDIT WISELY



If used carefully, credit can be a helpful financial tool. For example, using credit to purchase a home now, rather than trying to save up the whole purchase price, makes financial sense. Credit may also help you deal promptly with costly emergencies. Many consumers turn to credit when faced with unexpected home or auto repairs, as well as medical emergencies. And credit offers convenience, enabling you to rent a car or hotel room or buy airline tickets over the phone. In many situations, credit offers peace of mind; there is no need to carry large amounts of cash when shopping or traveling.

Despite all the advantages and conveniences credit can provide, there are some pitfalls associated with credit use. Credit can be expensive. Interest rates, finance charges, annual fees, and penalties can dramatically increase the cost of any purchase made on credit. Then, there is a tendency to overspend on credit. It is much easier to spend more than you can afford when all you have to do is pull out the plastic.

## How Much Debt is OK?

As a rule, no more than 15% of your net (take home) income should be committed to unsecured debt payments each month. Another way to determine how much debt is appropriate for you to carry is to first complete a family budget. The amount remaining after you deduct your monthly savings and living expenses from your net income is the most you should have going to debt repayment.

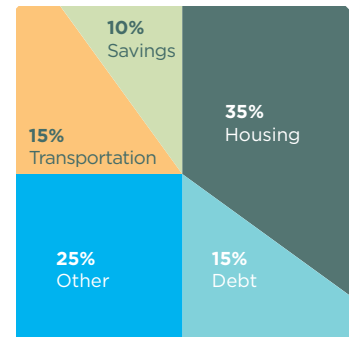
**Housing** - Spend no more than 35% of net income on housing. Depending on whether you rent or own, that can include: mortgage/rent, utilities, insurance, taxes, and home maintenance.

**Savings** - Save at least 10% of income throughout your working life. Make sure you have 3-6 months' income in an emergency fund before you start saving for other goals.

**Transportation** - Spend no more than 15% of net income on transportation. That includes: car payment, auto insurance, tag or license, maintenance, gasoline, and parking.

**Debt** - Spend no more than 15% of net income on all other consumer debt: student loans, retail installment contracts, credit cards, personal loans, tax debts, and medical debts.

**Other Expenses** - Spend no more than 25% of net income on all other expenses: food, clothing, entertainment, childcare, medical expenses, tithing/charity, and vacations.



### Behaviors that lead to high credit scores, according to credit scoring company FICO

- Make debt payments on time
- Keep balances low on revolving debts
- Limit number of open revolving accounts
- Keep existing revolving debt accounts open long-term
- Limit new applications for credit
- Diversify types of credit with both installment and revolving accounts.

## Shopping For Credit

When shopping for a credit card, you should first decide how you plan to use it so you can compare features. If you will pay your credit card bill off every month, no or a low annual fee is important. If you usually carry a balance, look for the lowest interest rate. Shop for a grace period, the amount of time after your purchase during which finance charges are not assessed. Some financial institutions give you up to 30 "free" days, while other card issuers start assessing finance charges immediately upon purchase. In fact, interest starts accruing immediately on cash advances - there is no grace period and the interest rate is higher than that applied to regular purchases. Depending on your payment and credit use habits, you may also be affected by late and over limit fees.

If you have no credit or a bad credit history, you may be able to obtain a secured credit card. A secured card works just like a regular VISA® or MasterCard® except that you must leave a deposit, usually between \$250 and \$500, with the issuing financial institution. If you default on your payments, the financial institution takes the money owed out of your deposit. The interest rate and annual fee on a secured card are often a bit higher than on a regular card. But a secured card can offer you the convenience of a regular credit card and the opportunity to improve your credit record. When comparing cards, try to find one that does not charge an application fee and confirm with the issuer that they will report your payment performance to at least one of the three major credit reporting bureaus. Make the most of this chance to build an unblemished credit report.

## Ways to use credit as a goal achievement tool

- Having a strong credit standing can open up new financial opportunities previously unavailable to you, like buying a car or a home.
- Credit can be used to help cover expenses used to start your own business.
- A solid credit history can make it easier to gain employment or find a new place to live.
- Building a record of wise credit use will mean lower interest rates paid in the future, freeing up funds to use toward your dreams.
- If your goal is to get out of debt, you may be able to use a loan or another credit card to get a lower interest rate to repay the money.

## The Cost of Credit

The following chart shows the cost of credit for a \$5,000 debt. At 18% interest, paying just the minimum monthly payment, it will take almost eight years to pay off the balance and will cost almost twice the amount of the original debt.

Paying only \$50 more a month takes four years off the repayment period and saves you thousands. Borrowing money at a lower interest rate cuts your costs even if you only pay the minimum due, but again, paying just \$50 more than the monthly minimum cuts the repayment time by three years and saves you another \$1,387.

Balance	Interest rate	Monthly payment	Repayment time	Total cost
\$5,000	18%	\$100	7 years, 10 months	\$9,311
\$5,000	18%	\$150	3 years, 11 months	\$6,984
\$5,000	15%	\$100	6 years, 6 months	\$7,896
\$5,000	15%	\$150	3 years, 8 months	\$6,509

Making use of lower interest credit to payoff high Interest bills may be helpful in getting out of debt. Many creditors are offering low “teaser” rates to attract business.

- Most of these cards offer a low interest rate for a short time only, usually three months to a year.
- Know when your interest rate will increase and what the card’s regular interest rate is. It could be higher than the rate on your old card.
- Be sure the limit on the new card is high enough so that your entire balance can be transferred.
- Make sure that the interest rate applies to balance transfers, not just new purchases.
- Pay attention to the balance transfer fee. Even if the interest rate is low, you may not save money if the fee is high.

## If You Are Unable to Pay

If you are unable to make the minimum payments on your bills, do not avoid your creditors. Be proactive. Write a letter asking for their understanding of your situation (see the sample letter on page 4). The creditor may offer a hardship program, allowing you to make reduced payments temporarily, and maybe even offer a reduced interest rate. It is best to contact your creditors in writing. Your letter should include:


- The reason you are unable to make your full payment (layoff, injury, divorce, etc.)
- Your prospects for getting back on track (When do you expect to start a new job? When does your doctor say you’ll be able to return to work?)
- What you are proposing (Suggest to the creditor what you think is a reasonable amount to pay each month until you are able to resume full payments.)

When writing to your creditors, be realistic. Don’t ever promise to send a payment that you are not absolutely sure you will be able to afford. Your creditors will be more willing to work with you if you are straightforward with them. Keep a copy of each letter you send.


**Caution:** Be conscious of the total amount you are promising to creditors each month; \$30 might not seem like much, but if you have eight credit cards and make the same promise to all of them, you will be out \$240 that might be needed for rent or food.

# YOUR CREDIT REPORT





750. 670. 620. 575. You may not think about them every day, but your credit report and the three little digits that make up your credit score probably influence your life in many ways. They can affect the cost of credit you receive, your ability to rent or buy a home, the insurance rates you pay, and even the jobs you can get. By understanding the reporting and scoring process, your consumer rights, and how to recover from inaccuracies and guard against identity theft, you can establish and maintain a stellar credit report and score.





# What is a Credit Report?

Like the name implies, your credit report tracks your credit activity. There are several types of credit, including credit cards, store cards, personal loans, car loans, mortgages, student loans, and lines of credit. Your credit report does not generally show the payment history for non-credit expenses, such as utilities, insurance, and medical bills, unless they go unpaid and are sent to a collection agency.

## Credit Bureaus

Credit reports are built and maintained by credit bureaus. There are three major credit bureaus in the United States.

- Equifax
- Experian
- TransUnion

Creditors typically report to them monthly, and data is also obtained from court records. Since credit bureaus do not always collect the same information, your three credit reports can be different. The credit bureaus sell your reports to interested parties, such as creditors, insurance companies, employers, and landlords, who use the information to decide whether to lend or do business with you.

## Sections of a Credit Report

Credit reports are divided into four sections:

**Personal Identification** – Most reports begin with your personal identification information. It lists your name and any former names or aliases, your current address and former addresses, and sometimes your employment history and marital status.

**Trade lines** – The bulk of a credit report is dedicated to your history of handling credit. It includes:

- Creditors and account numbers
- The date accounts were opened
- Credit limits or original balances
- Whether accounts are individually or jointly held
- Balances and payment patterns for the last 24 to 36 months
- Whether accounts are in collections or in dispute

**Public Records** – This section shows public records that are related to credit worthiness, such as liens, bankruptcies, repossessions, judgments, foreclosures, and court-ordered child support arrears.

**Inquiries** – This section lists anyone who has accessed your credit report. Inquiries can either be “hard” or “soft.” A hard inquiry is one that results from an application or transaction initiated by you, such as applying for a new credit card. A soft inquiry occurs when you pull your credit report or your credit report is checked for reasons not related to credit applications. The only person who can see the soft inquiries on your credit report is you.

## Credit Scores

Your credit score is a numeric summary of the information in your credit report and is formulated to predict your credit risk – the risk you will not pay what you borrowed. The most commonly used scoring model is the FICO score, which ranges from 300 to 850. Generally, those with higher scores are more easily granted credit and get better interest rates.

FICO scores only use the information in your credit report that is predictive of future credit performance, specifically your payment history (35%), amounts owed (30%), length of credit history (15%), pursuit of new credit (10%), and types of credit in use (10%). Income, employment history, race, religion, national origin, gender, marital status, and age are not considered.

# Sample Credit Report

Report number: 1111111  
Report date: 1/01/20xx

## PERSONAL INFORMATION

Name:	John S Smith	Address:	321 Any St. East City, CA 99999
Social Security #:	000-00-000	Telephone:	555.555.5555
Date of birthdy:	01/05/19xx	Employer:	ABC Clothing
On file since:	2/01/19xx	Occupation:	Cashier

## TRADE LINES

### AUTO FINANCE COMPANY

Account number: 1111111....  
Address: 4 Dirt Rd., East City, CA 99999  
Telephone: 555.555.5554  
Status: Open/Never late  
Last reported: 12/15/20xx  
Date opened: 05/01/20xx  
Type: Installment  
Terms: 55 months  
Monthly payment: \$250  
Original amount: \$11,500  
Current balance: \$9,250 as of 12/20xx  
Responsibility: Individual

### PERSONAL LOAN CO

Account number: 33333333....  
Address: 91 Beach Rd, Red Valley, CA 98888  
Telephone: 555.555.5552  
Status: Charged off 10/15/20xx  
Last reported: 10/20/2012  
Date opened: 01/04/2011  
Type: Installment  
Terms: 35 months  
Monthly payment: \$100  
Original amount: \$3,000  
Current amount: \$0 as of 10/20xx  
Responsibility: Individual  
Account history: Charged off as of 10/20xx, delinquency of 180 days, \$1,800

### CREDIT GIVER CO

Account number: 22222222....  
Address: 91 North St, Bloomfield, FL 10000  
Telephone: 555.555.5553  
Status: Open/Past due 30 days  
Last reported: 12/20/2012  
Date opened: 07/11/2010  
Type: Revolving  
Terms: N/A  
Credit limit: \$4,000  
Current balance: \$1,200 as of 12/20xx  
Highest balance: \$3,200  
Recent payment: \$40  
Responsibility: Individual  
Account history: Delinquency of 30 days, 3/20xx, \$50

### ABC COLLECTION AGENCY

Account number: 44444444....  
Address: 21 1st St, Morris, TN 22222  
Telephone: 555.555.5551  
Status: Collection account/Paid  
Last reported: 12/25/20xx  
Date opened: 01/04/20xx  
Original creditor: Personal Loan Co  
Type: Installment  
Terms: N/A  
Monthly payment: \$0  
Original amount: \$1,800  
Current balance: \$0 as of 12/25/20xx  
Responsibility: Individual  
Account history: Collection as of 10/20xx, paid 12/20xx

## PUBLIC RECORDS

### PAGE COUNTY CLERK

Address: 1 Court Rd, Millstown, CA 99997  
Telephone: 555.555.5550  
Status: Claim paid  
Type: Civil judgment  
Claim amount: \$2,341  
Plaintiff: XYZ Collection Agency  
Date filed: 10/22/20xx  
Date resolved: 12/15/20xx  
Responsibility: Individual

## INQUIRIES

### Request viewed by others

#### AUTO FINANCE COMPANY

Address: 4 Dirt Rd, East City, CA 99999  
Telephone: 555.555.5554  
Date of request: 3/20/20xx

### Requests viewed only by you

Address: 3121 Paved St, East Lake, MD 33333  
Telephone: 555.555.5557  
Date of request: 5/10/20xx

## Your Rights

Credit bureaus are regulated by the Federal Trade Commission and must comply with the Fair Credit Reporting Act (FCRA). This law gives you many rights, including:

### The right to access your reports

Credit bureaus generally charge a fee for reports. However, you can get a copy of your credit report for each bureau free once a year through the Annual Credit Report Request Service. (Their contact information is on the right.) You are also entitled to an additional free report if you were turned down for credit, insurance, or employment due to your credit history, believe your identity was stolen, are on welfare, or an unemployed and plan to look for a job within 60 days.

### The right to accuracy

It is the credit bureaus' responsibility to report only correct information. If you discover inaccuracies, you can file a dispute with the bureaus, and they are required to investigate it. (See "Protecting Yourself From Errors".)

### The right to have negative information "age-off"

Credit reports may reflect late payments, collection accounts, repossessions, and most other negative information for seven years. A Chapter 7 bankruptcy will remain on your credit report for ten years from the date of filing. Paid judgments can only stay on your credit report for seven years from the date the judgment was filed, but unpaid ones can stay until the statute of limitations for collection (which varies from state to state) expires. Most inquiries can stay on your credit report for two years.

### The right to privacy

Only those with a need recognized by the FCRA may access your report. This is usually a creditor, insurer, landlord, or other business. Employers must have written consent from you before accessing your report. You may also request that your information not be given to creditors looking to make pre-approval offers. This can be done by calling 1.888.5.OPTOUT.



## Credit Bureau Contact Information

Since contact information can periodically change, confirm addresses before sending a letter containing personal information.

### Annual Credit Report Request Service

P.O. Box 105283, Atlanta, GA 30348  
877.322.8228  
[www.annualcreditreport.com](http://www.annualcreditreport.com)

### Equifax

P.O. Box 740241, Atlanta, GA 30374  
To order credit report: 800.685.1111  
To report fraud: 888.766.0008  
[www.equifax.com](http://www.equifax.com)

### Experian

P.O. Box 2104, Allen, TX 75013  
888.397.3742  
[www.experian.com](http://www.experian.com)

### TransUnion

2 Baldwin Pl., P.O. Box 1000, Chester, PA 19022  
To order credit report: 800.888.4213  
To report fraud: 800.680.7289  
[www.transunion.com](http://www.transunion.com)

## Protecting Yourself from Errors

Mistakes can happen. Some people only find out about it after they are denied for credit. Periodically checking your three credit reports for accuracy can help you avoid an erroneous denial. If you see an error, there is no need to panic. It can be corrected:

### Correct inaccuracies with the credit bureaus

Start by sending a letter to the relevant credit bureau(s) or filling out an online dispute form to let them know what information is incorrect. It is only legal to take off legitimately inaccurate information. While you are not required to provide documentation to support your claim, if you have any (such as a canceled check for a bill that still shows as outstanding), it helps to include it. The credit bureau has 30 days to investigate your claim, during which time a dispute notation will appear on your report. They must delete the disputed information if they cannot find evidence to validate it, and, if requested, notify anyone who recently received the report of the change.

### Add a statement to your report

You may add a brief statement (100 words or less) to your credit report if contacting the credit bureau and creditor does not resolve the issue. Adding a statement will not boost your score, but anyone who pulls your report will know your side of the story.

### The myth of “Credit Repair”

It is not possible to permanently remove accurate items from your credit report through the dispute process or any other method. The dispute process is for removing accurate information only. Any company offering to remove negative accurate items from your report is engaging in deceitful practices.

## Maintaining Your Credit

Maintaining credit responsibly not only reflects positively when future creditors review your credit report, it can also save you a great deal of money.

### Pay on time, every time

A commitment to never make a payment late again is one of the most powerful steps you can take to demonstrate responsible use of credit.

### Pay down existing debt

Even if you have never missed a payment, a large debt load can make it look to a lender like you are overextended. Explore ways you can lower your interest rates and free up cash to make more than the minimum payments.

### Avoid taking on additional debt

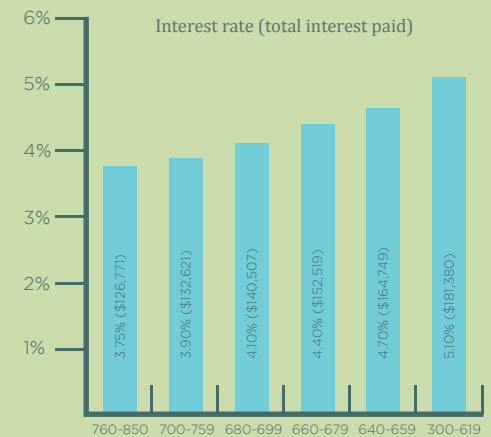
Besides paying down existing debt, make an effort to not take on more debt in the future. Ideally, you should not charge more than you can pay off in full the following month.

### Pay collection accounts

If you have collection accounts on your credit report, you can open up more financial opportunities for yourself by paying them. Request settlements for balances you can't afford to pay in full, and make sure to confirm the agreement in writing.

### Poor Credit Can Cost You

Borrowers with poor credit can wind up paying significantly more in interest than their counterparts with good credit. This example shows how much interest borrowers with different credit scores will pay over the life of a 30-year, \$200,000 mortgage (actual interest rates may differ).



## Keep your old accounts open

A long credit history with the same open accounts indicates stability.

## Avoid excess credit applications

If you apply for credit too many times, it can look to a lender like you are desperate for money. A creditor may also see it as a sign you need to rely on credit to pay your bills.

# Establishing Credit

It can be difficult to qualify for credit if you have a history of payment problems or are applying for the first time. Often getting credit is easier with a:

## Secured credit card

Unlike with a regular credit card, a secured credit card requires you to make a deposit with the creditor, which they can keep if you stop making payments. While secured credit cards are typically easier to get than regular credit cards, the credit limits are usually low, and the fees can be high. However, many creditors are willing to convert a secured credit card to a regular credit card after a year or two of on-time payments.

## Co-signer

Having a co-signer with good credit can increase your chances for approval, but be especially careful with this type of arrangement. Any late payments you make will not only reflect poorly on your credit report but your co-signer's as well. After six months to a year, you may want to reapply for credit on your own.

# Identity Theft

Identity theft occurs when someone uses your personal information to commit fraud or other crimes. Thieves commonly use the information they steal to get credit cards or other types of credit and then rack up huge amounts of debt that go unpaid. If you become the victim of identity theft, being proactive can minimize its impact on you. You may need to communicate with several institutions, including:

## Creditors and financial institutions

If a credit card or checking account has been used or opened illegally, contact your creditor or financial institution immediately. They should close accounts that are not yours and change the account numbers and passwords for accounts that are yours. Monitor all future statements carefully for evidence of new fraud.

## Police

Identity theft is a crime, and you can file a police report. In fact, a credit bureau or creditor may want you to provide one to investigate and remove fraudulent information.

## Credit bureaus

Check your credit reports from all three bureaus to make sure that they are only reporting factual information. Remember, you are entitled to free reports if you believe you are the victim of identity theft. Dispute any fraudulent items. Even if the fraudulent information has not yet appeared on your reports, you can report it to the bureaus now. They can place a fraud alert on your reports, which notifies a creditor to take special caution when a credit application is made in your name.

You may want to also consider putting a security freeze on your credit file, which blocks anyone from accessing your credit reports without your permission.



Call BALANCE toll-free:  
**888.456.2227**

Explore a wealth of resources available online:  
**[www.balancepro.org](http://www.balancepro.org)**

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**[www.twitter.com/BAL\\_Pro](https://www.twitter.com/BAL_Pro)**

# HOW TO READ YOUR CREDIT REPORT

**YOUR FREE CREDIT REPORT CONTAINS ALL THE INFORMATION REFLECTED IN YOUR CREDIT SCORE.**

Here's how to review each section of your report to understand what shapes your score and the factors that may affect it.

## Account Summary



This is a snapshot of your credit profile:

- current balances
- payments
- open and closed accounts
- delinquent accounts
- inquiries (2 years)
- public records

## Personal Information



Make sure your name, address and SSN are correct.

A typo could mean someone else's credit history is being linked to your report.

## Credit Inquiries



These are requests made by companies who want to view your credit history.

- Too many hard inquiries can hurt your credit score.
- If you don't recognize these lenders, you may be an identity theft victim.

## Credit/Revolving Accounts



Review the statuses and balances of open and closed credit accounts.

Check for any remarks, especially if a card is reported lost or stolen.

## Installment Accounts



Verify your loan terms: status, term duration and monthly payments.

Student loans sold to other lenders display as *transferred* in remarks.

## Public Records



Records include any civil judgments, tax liens and bankruptcies that can lower your score.

Most of these records stay on reports for 7 years; you may be able to remove a tax lien through the IRS Fresh Start Initiative.



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**Check out our upcoming seminars:**

**The Home Buyer Wiz**

February 2017

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
29	30	31	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	1	2	3	4

**The Retirement Roundtable**

March 2017

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
26	27	28	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	1

**The Confident Car Buyer**

April 2017

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
26	27	28	29	30	31	1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	1	2	3	4	5	6



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## Seminar Evaluation

Name
Email
Are you currently a Congressional Federal member? <input type="radio"/> Yes <input type="radio"/> No
Would you like to see more seminars offered? <input type="radio"/> Yes <input type="radio"/> No
The content of the seminar was: <input type="radio"/> Too Introductory <input type="radio"/> Just Right <input type="radio"/> Too Advanced
How did you hear about the seminar? <input type="radio"/> Email <input type="radio"/> Social Media <input type="radio"/> CFCU Website <input type="radio"/> Newspaper
What do you feel were the most valuable topics covered?

## Consultation Request

Are you interested in a complimentary consultation to discuss healthy credit planning? <input type="radio"/> Yes <input type="radio"/> No
--

*If yes, please provide:*

Address		
City	State	Zip
What is the best way to reach you? <input type="radio"/> Day Phone: <input type="radio"/> Evening Phone: <input type="radio"/> Email:		

Thank you for your cooperation and participation. We look forward to serving you better in the future. We welcome your additional comments on the back of this form.

