

Successful Start and the Office of Student Services Present:

# **CREDIT 200**

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# **CREDIT REPORTS & SCORES**

# UNDERSTANDING CREDIT

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- ✖ What is a credit report?
- ✖ Checking your credit report
- ✖ What's in a credit score?
- ✖ Credit risk
- ✖ Benefits of good credit

# CREDIT REPORTS

# WHAT IS A CREDIT REPORT?

- ✖ History of your ability to manage credit
  - + Similar to a transcript
- ✖ Lenders report your:
  - + Payment History
  - + Amount Borrowed
  - + Credit Limits
  - + Delinquencies



# WHAT'S IN YOUR CREDIT REPORT?

- ✖ Summary of key information:
  - + Personal Information
  - + Credit History
  - + Public Records
  - + Inquiries

# CHECKING YOUR CREDIT REPORT

- ✖ 79% of credit reports have errors!<sup>1</sup>
- ✖ Check report annually
  - + Name
  - + Address
  - + Birth Date
  - + Social Security Number
  - + Accuracy of Accounts

<sup>1</sup>National Association of State Public Interest Research Groups, 2004 Survey

# OBTAIN A FREE CREDIT REPORT

- ✖ [www.annualcreditreport.com](http://www.annualcreditreport.com)
- ✖ 877.322.8228
- ✖ One free report (per year) from:
  - + Equifax
  - + TransUnion
  - + Experian
- ✖ All three at once or one every 4 months

# CREDIT SCORES

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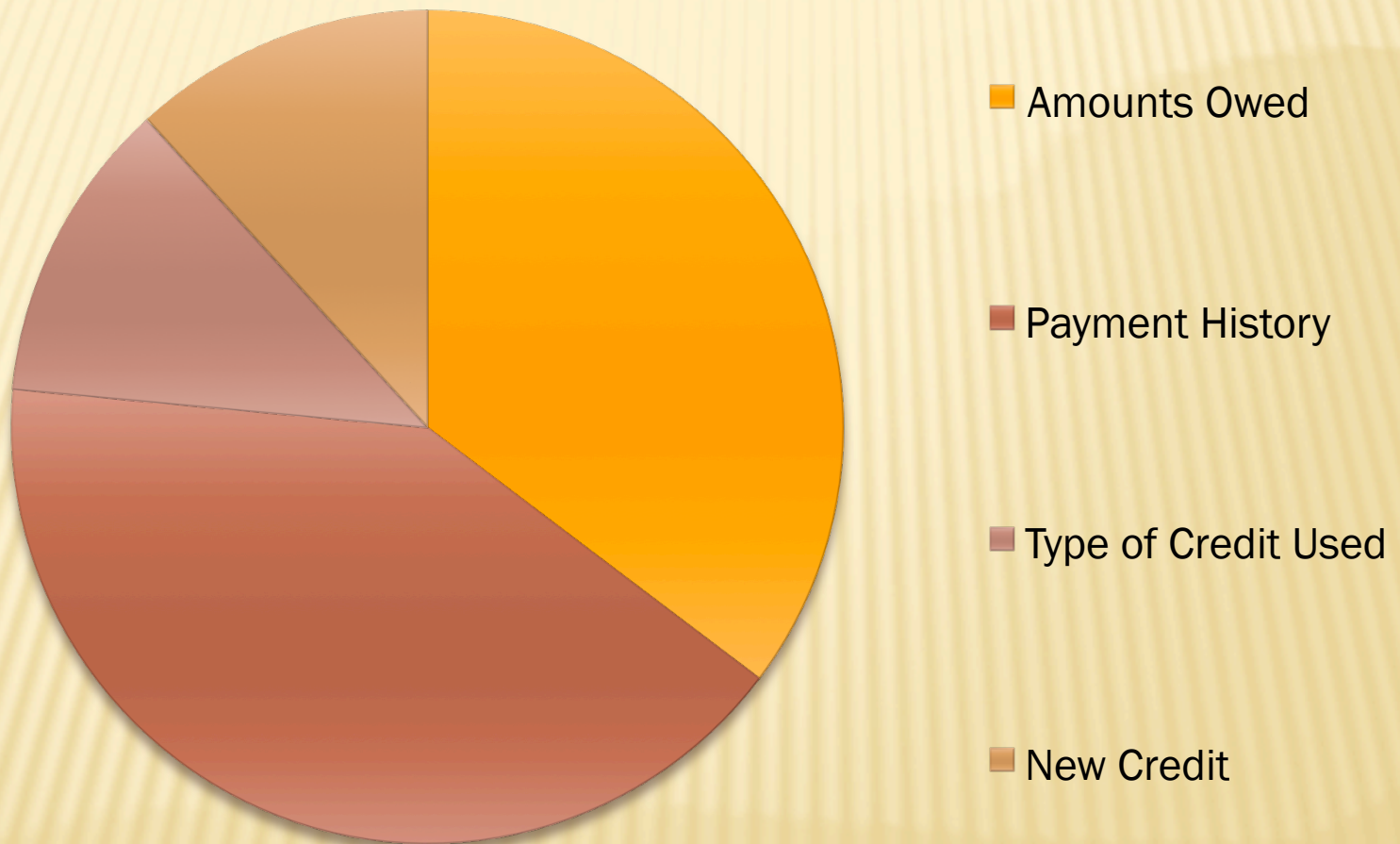
# WHAT IS A CREDIT SCORE?

- ✖ Probability of paying a new loan
- ✖ Grades of Loans
  - + A: the most creditworthy borrower
  - + B: the average borrower
  - + Subprime: the highest risk borrower
- ✖ More information:
  - + [www.myfico.com](http://www.myfico.com)

# WHAT'S NOT IN YOUR CREDIT SCORE?

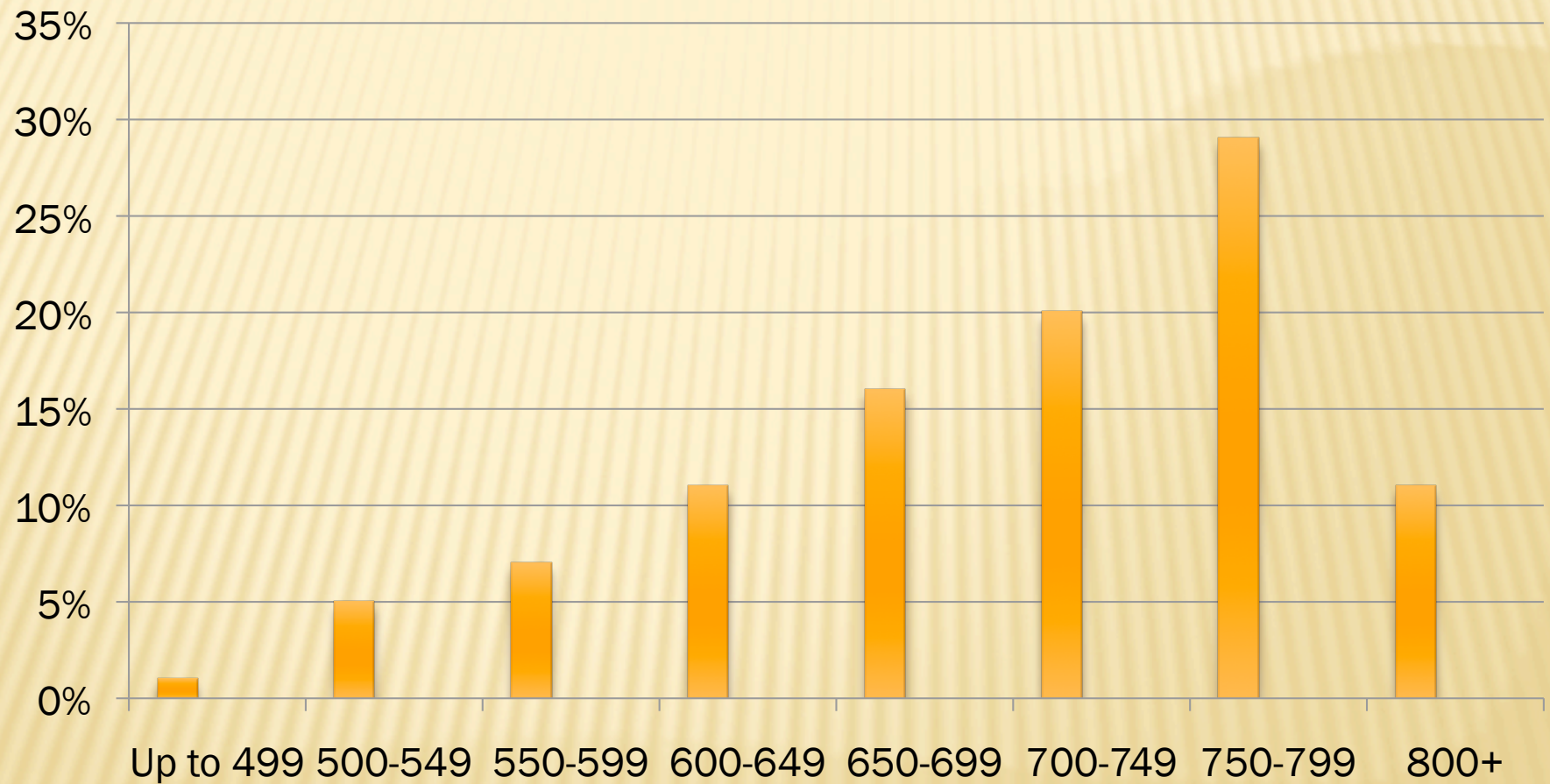
- ✖ Your race, color, religion, national origin, sex and marital status.
- ✖ Your age.
- ✖ Your salary, occupation, title, employer, date employed or employment history.
- ✖ Where you live.
- ✖ Any interest rate being charged on a particular credit card or other account.
- ✖ Any items reported as child/family support obligations or rental agreements.
- ✖ Certain types of inquiries (requests for your credit report).
- ✖ Any information not found in your credit report.
- ✖ Any information that is not proven to be predictive of future credit performance.
- ✖ Whether or not you are participating in a credit counseling of any kind.

# WHAT DETERMINES YOUR SCORE?



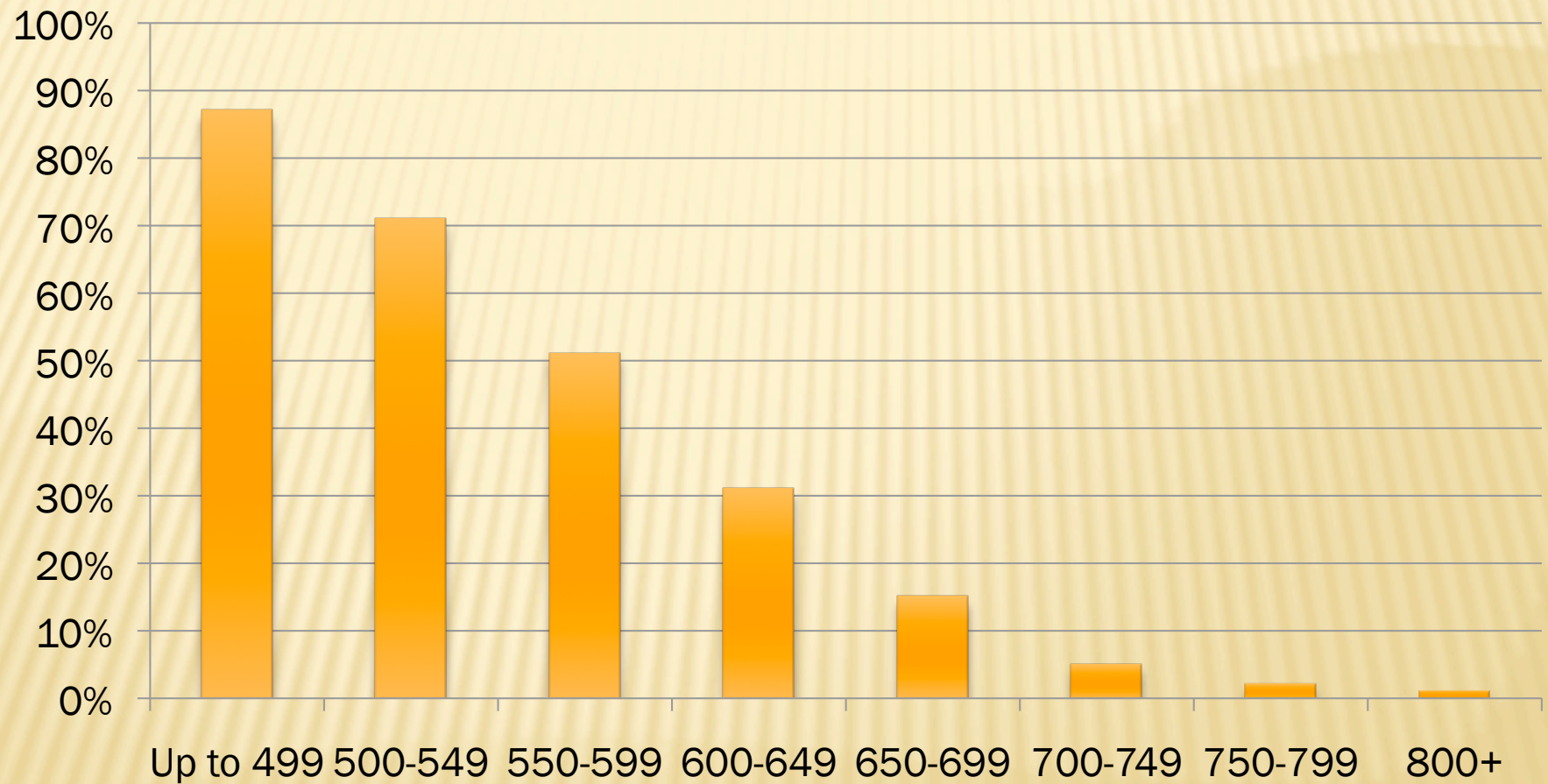


# CREDIT SCORE DISTRIBUTION





# SCORE=INDICATOR OF RISK



# LOW CREDIT RISK

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- ✖ Stable class schedules
- ✖ Steady employment
- ✖ Consistent payments
- ✖ On-time loan payments
- ✖ Responsible student loan management

# BUYING A \$20,000 CAR, 60-MONTH LOAN

FICO Score	APR	Monthly Payment	Total Interest Paid
720-850	5.031%	\$378	\$2,663
690-719	6.523%	\$392	\$3,492
660-689	8.409%	\$409	\$4,567
620-659	12.046%	\$445	\$6,721
590-619	17.908%	\$507	\$10,412
500-589	18.97%	\$518	\$11,109

If your score changes to 690-719, you could pay an extra \$830.

If your score changes to 660-689, you could pay an extra \$1,905.

If your score changes to 620-659, you could pay an extra \$4,059.

If your score changes to 590-619, you could pay an extra \$7,750.

If your score changes to 500-589, you could pay an extra \$8,446.

# BUYING A \$250,000 HOUSE, 30-YEAR FIXED LOAN

FICO Score	APR	Monthly Payment	Total Interest Paid
760-850	4.5%	\$1,267	\$206,017
700-759	4.722%	\$1,300	\$217,965
680-699	4.899%	\$1,327	\$227,599
660-679	5.113%	\$1,359	\$239,374
640-659	5.543%	\$1,426	\$263,441
620-639	6.089%	\$1,513	\$294,756

If your score changes to 700-759, you could pay an extra \$11,948.

If your score changes to 680-699, you could pay an extra \$21,583.

If your score changes to 660-679, you could pay an extra \$33,357.

If your score changes to 640-659, you could pay an extra \$57,424.

If your score changes to 620-639, you could pay an extra \$88,739.



# LOW CREDIT RISK

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- ✖ Late payments
- ✖ High balances
- ✖ Unpaid accounts
- ✖ Excessive number of open accounts
- ✖ Many recently opened accounts

# THE BENEFITS OF GOOD CREDIT

- ✕ Establish and build good credit history
- ✕ More apartment/house choices
- ✕ Open a checking account
- ✕ Better job opportunities
- ✕ Fast loan decisions
- ✕ Increased purchasing power
  - + Little or no money down on cars
  - + Lower interest rate
  - + Save money
- ✕ <http://www.myfico.com/myfico/CreditCentral/LoanRates.aspx>

# SECURING GOOD CREDIT

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- ✕ Pay bills on time
- ✕ Pay before due date
  - + Automatic payments
- ✕ Pay down outstanding balances
- ✕ Check credit report periodically
- ✕ Protect your identity

**\$UCCESSFUL START**  
**SUCCESSFULSTART@BC.EDU**