

Successful Start and the Office of Student Services Present:

THE WINNING SCORE

QUESTIONS TO BE ANSWERED

- ✖ How is a credit score calculated?
- ✖ Why is a credit score important?
- ✖ How can I improve my credit score?

HIT OR MYTH?

HIT OR MYTH?

- ✗ Once a debt is paid in full it is removed from your credit report.

MYTH

- ✘ Negative accounts will stay on report for 7 years.
- ✘ Positive accounts will stay on report for 7 or more years.

HIT OR MYTH?

- ✗ You can hurt your score by shopping around for the best rates.

MYTH

- ✖ Consumers usually want to shop around for auto loans and mortgages to get the best deal/rates. Consumers should not be penalized for this. So.....
- ✖ 14 days for rate shopping are allowed(multiple auto loan inquiries within 14 days will only be counted once)

HIT OR MYTH?

- ✗ You have to use your credit in order to get a good credit score.

- ✖ The credit scoring formula is designed to judge how well you handle credit over time; if you have no credit, or you don't at least occasionally use the credit you have, the formula won't have enough information to make an assessment.

CREDIT REPORTS AND CREDIT SCORES

CREDIT REPORT FACTS

- ✖ Record of your credit payment history
- ✖ Illustrates the amount you have borrowed in credit cards and loans and your timeliness of payment
- ✖ Contains identifying information
- ✖ Used to determine creditworthiness

LENDERS WHO MAY REPORT

- ✗ Store accounts
- ✗ Mortgage and other loan lenders
- ✗ Credit cards
- ✗ Some utility accounts (especially if past due)
- ✗ Financial institutions
- ✗ Cell Phone (especially if past due)

ANATOMY OF A CREDIT REPORT

Section 1: Personal Identification Information

Section 2: Public Record Information

Section 3: Collection Agency Account Information

Section 4: Credit Account Information

Section 5: Companies Requesting your Credit File

**ONLY 3% OF AMERICANS CAN NAME THE
THREE MAJOR CREDIT BUREAUS...**

HOW TO OBTAIN YOUR CREDIT REPORT

Credit Bureaus:

- ✖ Equifax www.equifax.com
- ✖ Experian www.experian.com
- ✖ Trans Union www.transunion.com

One free report from each agency every 12 months:

www.annualcreditreport.com

CREDIT SCORE

- ✖ Reflection of the information on your credit report
- ✖ Most popular formula developed by Fair Isaac Corporation (FICO)
- ✖ Scores range from 300-850
- ✖ Average score is 692 (713 in MA)
- ✖ The lower the score, the greater the risk it is to lend you money

REQUIREMENTS FOR THE PERFECT SCORE

- ✖ Having paid all bills on time during the past seven years
- ✖ Having a minimum of 30 years of credit use
- ✖ Having between four and six revolving credit accounts

CREDIT SCORE FACTORS

35% Payment History

30% Amount Owed vs. Available Credit

15% Length of Credit History

10% Amount of New Credit

10% Types of Credit

PAYMENT HISTORY

ARE YOU PAYING ON TIME?

- ✗ Account payment information on specific types of accounts
- ✗ Presence of adverse public records, collection items, and/or delinquency
- ✗ Severity of delinquency (how long past due) & Amount owed
- ✗ Number of past due items on file
- ✗ Number of accounts paid as agreed

AMOUNT OWED VS. AVAILABLE CREDIT

- ✗ Amount owing on accounts
- ✗ Amount owing on specific types of accounts
- ✗ Number of accounts with balances

Utilization Ratio

- ✗ Proportion of credit lines used
- ✗ Proportions of installment loan amounts still owing

LENGTH OF CREDIT HISTORY

- ✗ Time since accounts opened
- ✗ Time since account activity

NEW CREDIT

- ✖ Number of recently opened accounts, and proportion of accounts that are recently opened, by type of account
- ✖ Time since recent account opening(s), by type of account
- ✖ Number of recent hard credit inquiries
- ✖ Time since hard credit inquiries

INQUIRIES

- ✖ Hard vs. Soft
- ✖ Multiple inquiries for the same type of credit done within 14 days of each other are considered one inquiry (mortgage, student loan, auto loan).
- ✖ This does not apply to inquiries for credit cards.
- ✖ An inquiry generally stays on for up to 2 years.

TYPES OF CREDIT

- ✖ Number of (presence, prevalence, and recent information on) various types of accounts (credit cards, retail accounts, installment loans, mortgage, consumer finance accounts, etc.)

NATIONAL DISTRIBUTION OF FICO SCORES

FICO SCORE RANGE	% OF POPULATION
UP TO 499	2%
500 TO 549	5%
550 TO 599	8%
600 TO 649	12%
650 TO 699	15%
700 TO 749	18%
750 TO 799	27%
800 +	13%

NON-FACTORS

- ✖ Race, color, religion, national origin, sex and marital status
- ✖ Age
- ✖ Where you live
- ✖ Interest rates
- ✖ Soft inquiries
- ✖ Any information not found in your credit report

IMPROVING YOUR SCORE

IMPROVING YOUR SCORE

IMPACT ON INTEREST RATES

- ✖ How much can your score impact the interest you pay on a loan?

A LOT!!

- Type of Loan: 30-Year Fixed
- State: Massachusetts
- Principal Amount:
\$200,000

FICO SCORE	APR	MONTHLY PAYMENT	TOTAL INTEREST PAID
720-850	5.993%	\$1,198	\$231,352
700-719	6.118%	\$1,214	\$237,154
675-699	6.656%	\$1,285	\$262,501
620-674	7.805%	\$1,440	\$318,556
560-619	8.715%	\$1,568	\$364,625
500-559	9.332%	\$1,657	\$396,610

INTEREST RATE EXAMPLE

INTEREST RATE EXAMPLE

Current FICO Score Range: 620 – 674

If your score changes to 720 – 850, you could **SAVE** an extra **\$87,204**

If your score changes to 700 – 719, you could **SAVE** an extra **\$81,402**

If your score changes to 675 – 699, you could **SAVE** an extra **\$56,055**

If your score changes to 560 – 619, you could **PAY** an extra **\$46,069**

If your score changes to 500 – 559, you could **PAY** an extra **\$78,054**

CLOSING ACCOUNTS

- ✖ Closing credit card accounts will not necessarily improve your credit score.

IMPROVING YOUR CREDIT SCORE

✖ Payment History Tips

- Pay your bills on time
- If you have missed payments, get current and stay current

✖ Amount Owed Tips

- Keep balances low on credit cards and other “revolving credit”
- Pay off debt rather than moving it around
- Don't close unused credit cards as a short-term strategy to raise your score
- Don't open a number of new credit cards that you don't need, just to increase your available credit

IMPROVING YOUR CREDIT SCORE

✖ Length of Credit Tips

- If you have been managing credit for a short time, don't open a lot of new accounts

✖ New Credit Tips

- Do your rate shopping for a given loan within a focused period of time
- Re-establish your credit history if you have had problems

✖ Types of Credit Tips

- Apply for and open new credit accounts only as needed
- Have credit cards – but manage them responsibly

IMPROVING YOUR SCORE

- ✖ No one can have accurate information removed from your credit report.
- ✖ If you have had credit problems in the past, it can take years to repair your credit legitimately.
- ✖ No one can create a new identity for you.
- ✖ You can order your credit report yourself. If you see errors on your report, you can also request that the credit reporting agencies make appropriate changes.

QUESTIONS?

- ✖ www.bc.edu/successfulstart
- ✖ successfulstart@bc.edu
- ✖ Money Mentors – Meet with a peer to learn about budgeting, saving, and credit
money.mentors@bc.edu