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Canal Ponds Business Park  
100 Marina Drive  
Rochester, NY**

**Other branches:  
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Clarence and Delaware Hertel (North Buffalo)**

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# ***Credit 101***

Presented by  
The Summit Federal Credit Union



# What We Will Cover

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- What is Credit
- Understanding your Credit Report – Examples and Credit Scoring
- Facts About Credit – Rates, Terms and Conditions
- The Credit Nightmare
- Improving Your Credit Score – Taking Control of your Finances
- Credit “Tools”



# Definition of "Credit"

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- Confidence in a purchaser's ability and intention to pay, displayed by entrusting the buyer with goods or services without immediate payment.
- A sum of money due to a person or entity



# Credit in “Everyday Terms”

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- Credit enables us to take care of our current needs in return for a promise to pay for them in the future
- Loans, Credit Cards, Lines of Credit and Mortgages are all examples of how people utilize credit



# The Credit Industry

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- The industry is composed of 3 major credit bureaus and affiliates:
  1. Equifax, Inc. – Atlanta, GA
  2. Experian, Inc. – Orange, CA
  3. TransUnion, Inc. – Chicago, IL



# What is a Credit Report?

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A Credit Report is a detailed report of an individual's credit history prepared by a credit bureau and used by a lender in determining an applicant's creditworthiness



# What a Credit Report Consists of

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- Your personal data including; current/previous address, social security #, employment history
- Summary of your credit history
- Detailed account information



## What a Credit Report Consists of (cont)

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- Inquiries into your credit history
- Details of any accounts turned over to a credit agency (Liens, garnishments, collections etc.)
- Information on how to check or dispute information that is reflected

# Example of a Credit Report



## FACT Act Sample Credit Report

BEACON 5 SCORE: 577 00038/00002/00034/00013/Y  
 SERIOUS DELINQUENCY AND DEROGATORY PUBLIC RECORD OR COLLECTION FILED  
 LEVEL OF DELINQUENCY ON ACCOUNTS  
 AMOUNT OWED ON DELINQUENT ACCOUNTS  
 TIME SINCE DELINQUENCY IS TOO RECENT OR UNKNOWN  
 NUMBER OF INQUIRIES ADVERSELY AFFECTED THE SCORE BUT NOT SIGNIFICANTLY

.....  
 \* ADDRESS DISCREPANCY - NO SUBSTANTIAL DIFFERENCE  
 \* EXTENDED FRAUD VICTIM  
 \* ACTIVE MILITARY

.....  
 \*001 EQUIFAX INFORMATION SERVICES  
 P O BOX 740241 ATLANTA GA 30374-0241 800/685-1111

\*CONSUMER, JOHN Q, JR SINCE 03/10/82 FAD 12/06/04  
 9412, MAIN, ST, ATLANTA, GA, 30302, TAPE RPTD 07/00  
 TELEPHONE NUMBER (404) 555-1212 TAPE RPTD 07/00  
 410, ORANGE GROVE, DR, SAN JOSE, CA, 95119, CRT RPTD 06/99  
 46, KENNEDY, DR, DETROIT, MI, 48201 TAPE RPTD 03/96  
 \*\*\*\* FORMER NAME - CCONSUMER, JACK \*\*\*\*

BDS-03/03/1961, SSS-900-00-0000 SSN VERIFIED: Y  
 01 ALERT CONTACT\* - MILITARY, RPTD-07/22/2004, EFFECT: 07/04/2004  
 ADDRESS-4000011 MAIN ST, APARTMENT 50, TULSA, OK, 33333  
 CELLULAR, (11111) 770-444-5555  
 PAGER, (12222) 770-444-5555  
 DAYTIME, (13333) 770-444-5555, EXT-88888  
 GEN INFO: THIS FIELD IS FOR ADDITIONAL INFORMATION, SUCH AS AN EMAIL ADDRESS  
 \*SUM-07/82-09/01, PR/OI-YES, FB-NO, ACCTS: 7, HCS\$450-160K, 4-ONES, 1-TWO, 1-FIVE, 1-OTHER.

\*\*\*\*\* PUBLIC RECORDS OR OTHER INFORMATION \*\*\*\*\*  
 02 07/03 BKRP 111VF116, 98453657-DSP-09/00, LIAB\$25600, ASSET\$10500.  
 EXEMPT\$100, INDIVID, PERSONAL, DISMSD CH-7  
 03 05/03 COLL 03/01 111YC363 ACB COLLECTIONS FOR  
 AMT: \$532 BAL: \$300 PAYMENT DLA: 11/00, I, 202012  
 MEDICAL DEBT

\*\*\*\*\*  
 \*INQS-SUBJECT SHOWS 4 INQUIRIES SINCE 09/04  
 BURDINES 111DC304 11/06/04 FRIEDMAN'S 111JA105 10/31/04  
 SUNTRUST 111BB6875 09/12/04 FK 111FM6875 PRGCOLL 09/01/04

* FIRM/ID CODE	RPTD	OPND	H/C	TRM	BAL	P/D	CS	MR	ECOA	ACCOUNT NUMBER
SUNTRUST *111BB6875	09/04	07/01	2500	20	650		R1	02	J	86934 DLA 09/04
WACH 111BB771	08/04	07/82	5000	135	4500		R1	99	I	27043 DLA 07/04
SEARS *111DC29	08/04	10/99	1478	30	903	155	R5	22	J	81750
30(03)60(01)90+(01) 07/04-R4, 06/04-R3, 05/04-R2 DLA 03/04 ACCOUNT CLOSED BY CREDIT GRANTOR										
FORDMOTOR *111FA2982	03/00	02/93	12500	275	0		I1	60	I	02F16 DLA 03/00
WAMU *111FM1117	08/04	05/96	160K	1350	156K	1350	I2	63	J	85632 DLA 07/04
30(02)60(01)90+(00) 10/03-13 HOME LOAN										

&  
 END OF REPORT EQUIFAX AND AFFILIATES - 12/06/04 SAFESCANNED

Inquiry Key  
Factor Code

Address  
Discrepancy  
Indicator

Fraud Alert and  
Active Duty  
Alert

Consumer  
Contact  
Information

Suppressed  
Medical  
Information



# What is a “Credit Score”

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When you use credit, you are borrowing money that you promise to pay back within a specified period of time. A credit score is a statistical method to determine the likelihood of an individual paying back the money he or she has borrowed



# Your "Credit Score"

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- Credit scoring models differ from credit bureau to credit bureau
- Your score indicates your likelihood to pay back credit in a timely manner or "as agreed"
- It is a good indicator of your future performance
- The higher your score, the more positive your credit history

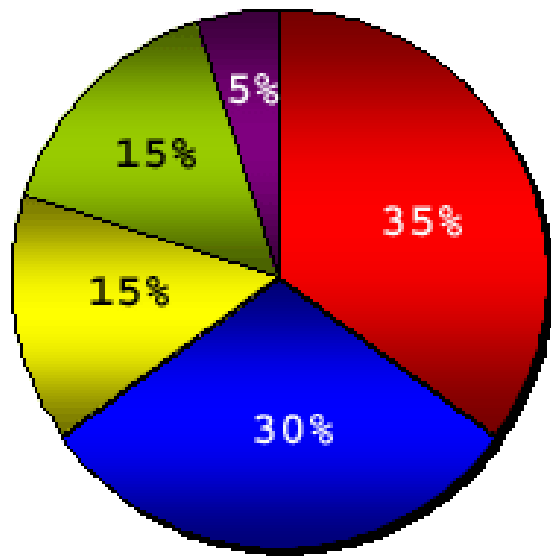


# Credit Scoring Models

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- Credit scoring model criteria includes:
  - Payment history
  - Amount of credit you have – Limits vs. Usage
  - Types of credit you utilize
  - Length of your history (number of months/years)
  - If you have been “shopping” for credit
  - Collections, liens, bankruptcies and public records

# Score Weighting Breakdown



- 35%** - Previous Credit Performance
- 30%** - Current Level of Indebtedness
- 15%** - Time Credit has been in use
- 15%** - Types of Credit Available
- 5%** - Pursuit of New Credit



# Facts about Credit

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- \$9,840 = Average American's credit card debt per household in 2007
- More than 2 million American homes carry more than \$20,000 in credit card debt
- \$888.2 billion! = consumer's total credit debt in US (2007)



## Facts about Credit (cont)

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- 50% of credit card holders say they DO NOT pay their monthly balances off in full
- 11% of consumers usually pay only their minimum monthly payments or a little more
- Average number of cards per consumer = 4



# Credit “Surprises”

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- \$18.1 billion = penalty fees paid to credit card companies in 2007 (Up 50% since 2003!)
- At least 1 in 10 consumers have more than 10 credit cards in their wallet!
- 19% = Average interest rate for bank credit cards in 2007



# Credit's Unseen Dangers

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- Being aware of your credit and your credit score is very important – you can harm your credit without even realizing it
- Errors within your credit report can cause you to be charged a higher interest rate when it is not warranted
- Take advantage of your free yearly credit report



# How to Maintain a High Score

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- Make your payments on time
- Avoid overextending your credit
- Never ignore overdue bills
- Be aware of the types of credit you have
- Keep outstanding debt as low as possible
- Do not “over apply” for credit
- Remember - Credit is not built overnight



# Interest Rates

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- Interest rates vary depending on the type of credit you are applying for
- “Unsecured Credit” usually carries higher interest rates because the balances are not secured by collateral
- Not all credit cards charge the same rate
- Shop for a card and rate that is best for you depending on your usage



# Credit Terms

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- All credit is not the same!
- 60% of consumers think cards are all at about the same interest rate
- 25% of us don't have any idea what "rate" we're paying on our cards/loans/lines
- Be aware of the terms, conditions, and any "fees" associated with your credit lines – especially "hidden fees"



# The Credit Nightmare

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- 40% of Americans spend more than they earn
- U.S. Households receive approximately 5.3 billion new credit card offers on an annual basis
- In Oct. 2007, credit card debt that was at least 30 days late totaled \$17.6 billion!
- Nationally, over \$26 Billion a year is in default



# Payment Issues

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- Can't make your car payment? – Financial institutions DO NOT want your car
- Be proactive – contact your creditors ASAP
- Try to obtain a “Debt Consolidation Loan”
- Work out a “payment plan” with your creditors
- Make changes to your spending habits!



# Where Do I Start?

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- Have a family meeting – Everyone needs to work together to fix this
- Cut up your credit cards
- Assess your current debt level by completing a debt worksheet
- List your daily expenses – they do add up
- Cut expenses by \$50/month – put this savings toward your credit card debt



# How Can I save \$50 a Month?

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- Clip coupons
- Buy store brands
- Avoid eating out – including lunch and \$4 cups of coffee
- Shop at discount outlets
- Shop for the best price on gas
- Cut non-essentials – cable, cell phone etc. if possible



# Paying Off Your Debt

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- \$50 extra per month on your cards can chop years off your debt and save on interest
- \$1,000 at 18% interest will take years to pay off making minimum payments!
- The same card is paid off in 16 months with the extra \$50 applied to payments monthly
- Continue this trend until you get control back!



# HELP!!

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- **Balance Financial Fitness Program**
  - Free financial counseling for Summit Members
  - Toll free Infoline or online assistance
  - Credit report review
  - Money Management Counseling
  - Debt Management Counseling
  - Bankruptcy prevention



# More Help!

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- Other Agencies that assist consumers
  - Consumer Credit Counseling Service –  
1-888-656-2227 or [www.cccsstl.org](http://www.cccsstl.org)
  - National Foundation for Credit Counseling –  
1-800 388-2227 or [www.nfcc.org](http://www.nfcc.org)
- Out of Court Settlements – settling your debt at a reduced amount



# Tip-offs and Rip-offs

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- Steer clear of companies that:
  - Guarantee they can “remove” your debt
  - Claim they will help you avoid bankruptcy
  - Claim they can remove accurate information
  - Require substantial monthly service fees
  - Demand a percentage of savings
  - Instruct you to stop making payments to creditors
  - Require that you make monthly payments to them



# Bankruptcy – The Last Resort

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- The effects of bankruptcy are long lasting – at least 10 years
- You may have to sell your home
- Does not erase child support, alimony, fines, taxes, or some student loans
- Carries a negative stigma
- As a last option – can offer a “fresh start” for those who can’t resolve financial problems by any other means



Questions?

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