

# IMPACT

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## The importance of building your credit score

### The Situation

A credit score is a number based on a statistical analysis of a person's credit files, that represents the creditworthiness of that person. Many Idahoans could save nearly \$300 per month by raising their credit score by as little as 60 points. The credit score has become a powerful force in nearly everyone's financial life, it has risen to rival net worth and income as the important financial figures. Many industries now use credit scores to determine insurance and loan rates, employment and much more. These industries include: lenders, insurers, landlords, employers, private schools, utility companies, the military and elective medical facilities. The difference between a credit score of 808 and 638 (170 points) can cost the average consumer about a \$1,000 per month.<sup>1</sup> Credit scores range from 300 to 850, the higher a credit score the "safer" the consumer is considered in terms of lending. The Fair Isaac Company (FICO) is the national corporation that determines the credit scores of individuals. Fair Isaac (FICO) categorizes credit scores as:

- Excellent – 760 and above
- Very Good – 700-759
- Good – 660-699
- Average – 620-659
- Poor – 580-619
- Very Poor – 579 and below

### Our Response

To assist Treasure Valley residents to identify methods to raise their credit scores, University of Idaho Extension faculty Beverly Healy, Ada County and Marsha Lockard, Owyhee County offered "Learn Strategies to Save Hundreds Each Month" work-



Canyon-Owyhee Financial Literacy Coalition members market the Credit Score program.

shops in Boise and Nampa. The workshops were co-sponsored by the Canyon-Owyhee Financial Literacy Coalition. Credit expert, Al Bingham, was the featured speaker at the two – 3 hour workshops. Mr. Bingham is a nationally known credit expert, who has worked with congressional leaders to reform the credit system in the United States and to promote greater literacy about credit, credit reports and credit scores.

Sixty-three individuals attended the two workshops offered in October of 2012.

### Program Outcomes

A pre/post evaluation was given to participants of the credit score program, with 51 participants responding. Forty percent of the participants were under the age of 60, with the remaining 60% over 60. Over 96% of the participants stated that they would recommend the program to others.

Results of the pre/post evaluation are given in the table below. A percentage increase following the program was shown on all evaluation questions.

Evaluation Questions	Before	After	% +
Understand the importance of a credit score	51%	100%	49%
Understand that credit report may contain errors	47%	92%	45%
Understand that score influences insurance and loan rates	37%	98%	61%
Know how to build a positive credit history	12%	94%	82%
Know how to repair a negative credit history	8%	80%	72%
Know how to correct credit errors	6%	71%	65%
Know what determines a credit score	8%	92%	84%
Will order a copy of credit report	25%	92%	67%
Will work to improve credit score	18%	95%	77%

When asked what was the most important thing they learned in the workshop participants replied:

- The extent of the use of the credit score across so many industries
- How to use revolving accounts to help build my score
- That I need to know my credit score and work on improving it

Participants were also asked what actions they planned to take, with a variety of responses which included:

- Correct credit reports and close some accounts
- Close out accounts not using and find out which are my golden accounts
- Try to improve my credit score

As a result of the training received, many Idahoans now have to ability to save nearly \$300 per month, through reduced loan fees and mortgage rates and lower insurance premiums. The workshops helped participants to find and correct errors on their credit reports and offered strategies to raise credit scores.



Al Bingham, National Credit Score Expert.

#### References

<sup>1</sup>Bingham, Al (2007). *The Road to 850*, Layton, UT: C.P. Publishing.

#### FOR MORE INFORMATION

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