



How To Be A Credit Score Millionaire!

Karen Richel

Latah County
Extension Educator



University of Idaho
Extension
Latah County

Presenter Information

KAREN RICHEL, M.S., AFC[®], CMC[®]
Financial Literacy Extension Educator

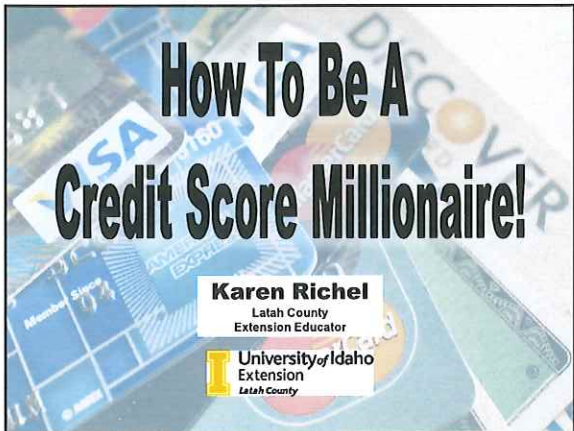
College of Agricultural and Life Sciences
Latah County Extension

krichel@uidaho.edu

extension.uidaho.edu/latah

208-883-2241 | 208-882-8505 (Fax)


200 S. Almon Street, Suite 201 | Moscow ID
83843



1

Advantages of Using Credit


- **Build a solid credit history**
- **Get goods and services before paying for them**
- **Make a large purchase without waiting**
- **Use for emergencies**
- **Do not need to carry cash**



2

Disadvantages of Using Credit

- **Credit costs money**
- **Spending future income**
- **May overspend**
- **Tempted to impulse buy**
- **Run the risk of too much debt**



3

Before Using Credit



- **Ask yourself:**
 - Do I really need this item now?
 - What are the extra costs?
 - Is the item worth the extra costs?
 - Can I make the monthly payments?
 - What will I have to give up in the future?
 - What if an emergency comes up?
 - What does my credit history look like right now?

4

Read the Fine Print!!!



5


Credit is Convenient



- **Understand what you are agreeing to**
- **Know how much it will cost you in the end**
- **Never spend more than you can repay!**
- **And always pay more than the minimum if not the full balance... it makes a huge difference!**

6

Minimum Payments





Beginning Balance	APR	Monthly Payments	Months to Pay Off Balance	Total Interest Paid
\$2,000	15.04 %	2% - \$40	169 (14 years)	\$2,205.63
\$2,000	15.04 %	5% - \$100	65 (5½ years)	\$589.74
\$2,000	15.04 %	10% - \$200	24 (2 years)	\$269.31


Pay more than the minimum to save additional interest charges.

7

Credit This and That What's the Difference?








8

What Is a Credit History?

- **Credit history is a record of how you have managed your money**



9

Building a Credit History

- Pay bills on time or early
- Maintain a checking account
- Apply for a credit card
- Apply for a small loan



10

Building a Credit History

- Avoid frequent changes
- Review your credit report
- Make arrangement with creditors if you are going to be late with a payment



11

Rebuilding Credit History

- Use the same process as you would in building credit
- Decrease debt and increase income
- Don't spend more than you make



12

Rebuilding Credit

- Limit how often you apply for credit
- If denied, ask why
- Check your credit report annually
- Correct any errors
- Bankruptcy is the last resort



13

What Is a Credit Report?

- A credit report is a record of your financial activity



14

Credit Reports Include:


- Identifying information
- Public record and collection agency account information
- Record of inquiries
- Trade lines



15

Identifying Information

- Name
- Address
- Social Security number
- Date of birth
- Employment history



16

Public Record/Collection Agency Account Information


- Bankruptcies
- Foreclosures
- Lawsuits
- Wage garnishments
- Liens
- Judgments
- Collection-agency actions



17

Inquiries

- Voluntary (Hard) - when you apply for a loan or credit card, job, housing, or utilities
- Involuntary (Soft) - unsolicited requests for credit such as pre-approved credit cards



18

Trade Lines

- A list of all accounts, type, the date opened, and current status.
 - "R" - revolving - credit card
 - "I" - installment - car loan
 - "J" - joint - someone else is also responsible



19

Request Your Credit Report

- To obtain a free copy of your credit report:

Order online:
www.annualcreditreport.com
Call toll-free: 877-322-8228
Mail the Annual Credit Report form to:
Annual Credit Report Request Service
PO Box 105281
Atlanta, GA 30348-5281



20

Correct Your Credit Reports

- To correct any errors on your credit report contact:


Equifax - www.equifax.com
1-800-685-1111
Experian - www.experian.com
1-888-EXPERIAN (397-3742)
TransUnion - www.transunion.com
1-800-888-4213



21

A New Credit Reporting Agency


- www.innovis.com
- 1-800-540-2505
- Mail "Innovis Credit Report Request" form along with required documentation (proof of current address and proof of name) to:
 - Innovis Consumer Assistance
 - PO Box 1689
 - Pittsburgh, PA 15230-1689



22

What Is a Credit Score?

- A credit score is a number between 300 and 850 that indicates whether or not you are a good credit risk.
- The lower your score, the harder it will be to get credit.



23


"FAKE-O" Scores




24

What Difference Does My Score Make?

- A score in the 400 to 599 range will result in a higher interest rate, and a larger down payment.
- Most people score in the 600 to 799 range.



25

Lower Score = More Out-of-Pocket

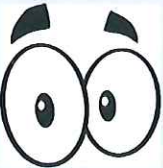
- 850-760: Will get the best rates – 0% financing
- 760-720: \$100 extra
- 720-680: \$300 extra
- 680-640: \$600 extra
- 640-580: \$1000 extra
- 580-300: \$over \$1,000 extra for the same service



26

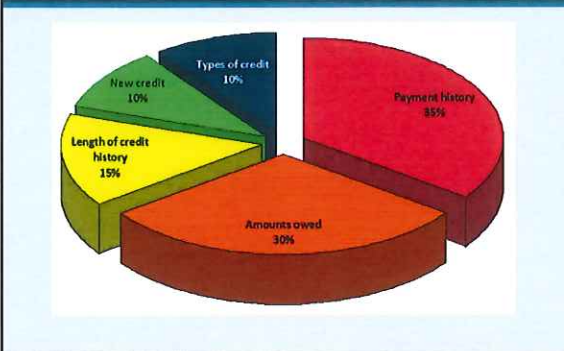
Who Else Is Watching My Credit?

- Utility Companies
- Landlords
- Insurance Companies
 - Auto
 - Home
 - Life
- Elective Medical Service Providers
- Employers



27

What Influences Your Score?



28

Payment History

- 35% of the score is determined by payment history
- Recent payment activity counts more than past payment history



- Includes
 - Payments on:
 - Credit cards
 - Retail accounts
 - Installment loans
 - Mortgage loans
 - Finance company accounts
 - Reports of:
 - Bankruptcies
 - Foreclosures
 - Lawsuits
 - Wage attachments
 - Liens
 - Judgments

29

Amount Owed

- 30% of a credit score is determined by the amount owed
- A score is reduced if cards are "maxed out," or there are large unpaid balances



30

Length of Credit History



- **15% of the score is determined by the length of time you have used credit**
- **Both the age of the oldest account and the average age of all of the accounts contribute to your score**
 - 10 years or older = Golden
 - 7-9 years old = Silver
 - 4-6 years old = Bronze
 - 1-3 years old = White
 - < than 1 year old = Green

31

New Credit

- **10% of the score is based on recent requests for credit**
- **Do not apply for several credit cards at one time**



32

Types of Credit in Use

- **The type of lenders you do business with determines the last 10% of the score**
- **Select a cross section of reputable lenders to achieve the highest score**



33

Information Not Considered

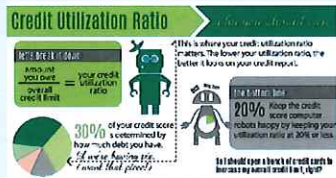
- Race
- Religion
- National origin
- Gender
- Marital status
- Age
- Salary
- Where you live
- Current interest rate you are paying
- Email
- Social Media Accounts



34

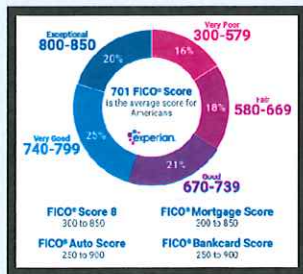
Credit Utilization Ratio

- % of available credit left on your limit
- Keeping CUR under 20% is good; under 10% is better



35

How to Manage Your Credit Score?



36

Tips to Raise Credit Scores

- Pay your bills on time – don't miss payments
- Reduce indebtedness
- Stay away from subprime lenders even if you pay back on time
- Do not apply for new credit unless you need it
- Declare one month an emergency month every year



37

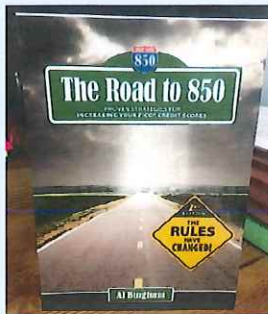
Tips to Raise Credit Scores



- Only do business with reputable lenders
- Think through the lasting effects of financial recovery options
 - Bankruptcy
 - Foreclosure
 - Short Sale
 - Repossession
 - Walk Away
 - Deed in Lieu
- Be patient

38

Want More Ideas?



The Road to 850
by Al Bingham

39

Questions or Comments



Karen Richel
Extension Educator

University of Idaho
Latah County Extension
krichel@uidaho.edu
(208) 883-2241



40



In order to complete this form electronically, please save a copy to your computer. Complete the form, save the information and name the file. You will then have the ability to print the form and either mail or fax it to ChexSystems.

Order Your Report Offline

Obtaining information under false pretenses is illegal. Obtaining a report on someone other than yourself is punishable by law, and can result in fines and/or imprisonment.

In order for Chex Systems, Inc. to properly identify the information contained in your consumer file, please provide the following information:

First Name _____
Middle Name _____
Last Name _____
Maiden name or other last names used _____

Address* (Street, PO Box, Apt #) _____

City _____ State _____ Zip _____

Phone Number _____ Phone Type Home Cell

U.S. Social Security # _____ Birth Date _____

U.S. Driver's License # _____ State of issuance _____

*ChexSystems will correspond with you at the above address unless you request otherwise

Addresses of any other residences you have had in the past five years

Address (Street, PO Box, Apt #) _____
City _____ State _____ Zip _____

Address (Street, PO Box, Apt #) _____
City _____ State _____ Zip _____

Address (Street, PO Box, Apt #) _____
City _____ State _____ Zip _____

Signature _____ Date _____

Order by Mail	Chex Systems, Inc Attn: Consumer Relations 7805 Hudson Rd, Suite 100 Woodbury, MN 55125
Order by FAX	Fax to 602.659.2197