

Crack the credit code

Because, today, Credit is
your character



Credit Score

Below 549: Go to mamma.

Above 700: Golden!

Others: Beware!



Pay Bills on time 35%

Get in the habit of paying ALL your bills on time.

You save money because you avoid late fees.

You build your credit score when you pay your bills on time.

To make sure your bills are paid on time:

1. Create a Budget
2. Know your cash flow—so payments don't bounce
3. Automate your bill payments

Credit Usage—30%

It is always a good idea to find out your credit limit. Once you know the maximum you can borrow, make sure that you borrow ONLY 30% of your limit. If your limit is \$1,000.00; try and charge ONLY \$300. Then, when you get your bill, pay it off in full.

Another thing you can do is call and have the credit limit increased. So, if your credit limit was \$500 and you charged \$300, one way to get to 30% is by increasing your limit to \$1,000.

Do not close cards you are not using. This will reduce your overall available credit. Try and use these cards every 5-6 months so they remain active.

Length of credit 15%

Usually, as soon as you turn 18, you are expected to have credit.

Therefore, DO NOT close an account that establishes the length of time.

If your credit is really bad today, time will heal. Even if you did nothing about it.

New Debt: 10%

When it rains is not the time to buy a new umbrella. First, it may be more expensive. Second, because you know it will rain some day, you need to be prepared.

When you have recently acquired new debt, you are signaling that you have money problems.

If your new lender is a subprime lender—one who lends to those with imperfect credits, you are signaling that you do not have the best credit.

Your mamma told you that you are judged by the company you keep. Borrow from a regulated financial institutions.

Inquiries: 10%

If a lender looks at your report, it will not show who inquired more than 6 months ago

If an employer looks at it, it will not show who inquired more than 2 years ago.

If there are too many inquiries, it will lower your score because you are signaling that you are trying to borrow money and some may have turned you down.

Credit Report

“You cannot escape the responsibility of tomorrow by evading it today.”

Abraham Lincoln



FREE Credit Report

Annually from each bureau

1-877-322-8228

www.annualcreditreport.com

Annual Credit Report

P.O. Box 105281,

Atlanta, GA 30348-5281

Credit Bureaus

Experian

- 888-397-3742

Equifax

- 800-685-1111

Trans Union

- 800-916-8800

Your credit report contains

Personal information—make sure it is accurate

Public information—such as liens and judgments. They drag your score down.

Accounts in collection

Delinquent accounts

Good trade lines

Inquiries

NOTE: Avoid Judgments. Show up to the hearing. Judgment could mean wage attachment!

Not in credit reports

Race

Religion

Medical history

Personal lifestyle

Personal background

Political preference

Criminal records

Not in your report

- Chapter 13 successful--7 years old
- Chapter 13 or 7 unsuccessful--10 years old
- Other derogatory, 7 years old
- Judgments--7 years old/Statute of limitations
- Paid tax liens—7 years old

A few things you can do

- Get rent & utilities in your name
- Obtain a secured credit card
- Look for credit builder programs
- Get in the habit of using and paying off your credit cards every month

Credit Repair

You can do it

DO NOT pay anyone—pay the lender

Check your score

Redo your budget

Decide how much you have each month to work with to repair your credit

Correcting errors

- Write + Send documentation—duplicates
- If bureau made mistake, must correct it
- Notify all other credit bureaus
- Request that they Notify those who looked at credit report in past 6 months
- Bureau has 30 days to reply and send corrected credit report

Report Fraud

Experian

- 888-397-3742

Equifax

- 800-525-6285

Trans Union

- 800-680-7289
- HAVE FRAUD ALERT ON YOUR FILE

ID Theft: Fight Back

Place a Fraud Alert on your Credit Report

Contact Fraud Department at:

Equifax : 1-800-525-6285

Experian: 1-888-397-3742

TransUnion: 1-800-680-7289

Close Accounts (call the creditor if account is not yours
CLOSE IT!)

File a Police Report (Get a Copy)

Contact the Federal Trade Commission

ftc.gov/idtheft or 1-877-ID-THEFT

ID Theft: Don't forget...

1-877-ID-THEFT—complaint

1-800-772-1213—SSA

Motor Vehicles

Postal Inspector

Police report

Lenders & IRS!

Avoid Mistakes

- Plan for emergencies
- Avoid excessive debt load
- Plan for job losses
- Don't bounce checks
- Pay utilities on time
- Pay rent on time
- Know your health plan
- Inform lender when you move

ACCESS TO CREDIT IS A CIVIL RIGHT

Continued access is a privilege



Credit

- The decisions you make now about how you manage your finances and handle money and credit can affect your ability to borrow money and the cost of borrowing money.
- E.g. On a \$500 loan for 1 year
 - A: with a score of 760 R: 3% will pay \$50.23 a month.
 - B: with a score of 620 R: 6% will pay \$59.64 a month.
 - C: with a score of 500 R: 12% will pay \$80.72 a month.

Credit Rules

1. No late payments
2. No minimum payments
3. Use 25% of available credit
4. No co-signing a loan
5. Establish good credit early in life
6. Guard your credit—all the time

If you pay less than full

\$1200 outstanding; rate 18%; not using the card

- Pay \$24/month—you will pay for 8 yrs
- Pay \$36/month—you will pay for 4 yrs
- Pay \$48/month—you will pay for 3 yrs
- Pay \$60/month—you will pay for 2 yrs

After 2 months, your total debt
has gone down to **\$9,857.**

Original
Debt



Good Credit helps with

Jobs

Get a Phone

Get a Store Card at your Favorite Store

Rent an Apartment

Buy or Lease a Car

Buy a House

Get a Personal Loan

Get Health/Car/Home Insurance

Establishing Credit

PAY ON TIME

Look into credit builder program at your bank/credit union

Get references—landlord, utilities

Gas card, store card, etc.

Secured loan/card

The Seven Year Rule

Credit bureaus may report negative information for seven and half years from date of delinquency, EXCEPT:

- Bankruptcy is reported for 10 years.
- No time limit for criminal convictions.

No time limit IF:

- Employer offers you a salary >\$75,000 per year.
- You request Credit >\$150,000.
- You request Life Insurance >\$150,000.

Law suit/unpaid judgments.

7 years or statute of limitations (whichever is longer).

Protect Yourself

- Protect your Social Security Number (The only place where this # should be is in your head and at home inside a secure box)
 - Never in your wallet/purse!!!
- Shred Financial documents. Everything that comes to your mail.
 - Credit card applications, Bank Statements, etc.
- Protect your mailbox.
- Check your credit report annually—for free.
- Don't give out your information freely

In Trouble?

Avoid those who promise to fix it for money

TALK TO LENDER

WRITE & EXPLAIN

WORK IT OUT with the lender

Debt consolidation

Personal loan consolidation

Student loan consolidation

Refinancing your home

Beware! Seek guidance from a trusted source. Debt consolidation is riddled with traps. You might do yourself more harm than good.

Example: Consolidating 3 loans for 5 years at 15% when 1 loan will be paid off in 1 year and another is only 5%!

Bankruptcy

Chapter 7 -> liquidation

- No debts to repay

Chapter 13 -> reorganization

- Sort of debt consolidation
- Keep assets
- Be careful

Cash advances

- The most expensive credit card debt

Consequences of cash advance

- Your minimum payment, seldom gets applied to this expensive debt

Co-signing

Cosigner responsible for the loan

Loan is the cosigner's

Lender looks at borrower AND cosigner separately to see if the lender will make a loan.

You are on the hook!

Joint Credit

Lender looks at the couple, not individuals, to decide if they get credit

Credit & Divorce

You could be held liable for your ex-spouse's debts.

Re-establish credit in your name alone

Close all credit jointly acquired.

Remove your soon to be ex as authorized user

Consumer Protections

Fair & Accurate Credit Transactions Act

You have a right to a fair and accurate reporting of your credit transactions.

You have a right to order your own credit report annually from www.annualcreditreport.com

You have a right to dispute inaccuracies directly with the credit bureaus.

Truth-in-Lending

You have a right to be notified about the true cost of borrowing.

When you borrow, you receive a TILA notice that you sign.

Be sure that you understand it. Is the amount borrowed correct? Are the total finance charges payable? When all is said and done how much will you have paid?

What happens if you don't pay on time (late fees) or don't pay at all (repossession or possession or foreclosure)?

Fair Credit Billing Act

You have a right to be billed accurately.

You have a right to dispute mistakes.

Therefore, be sure to read your statements as soon as you receive them.

You have a right to have the mistakes corrected in a timely fashion.

While you are disputing, be sure to continue to make your payments. If you are correct, you will receive a credit. If you are not correct, interest will accure.

Equal Credit Opportunity Act

No discrimination

- Race, gender, marital status, age***, national origin, religion, source of income, prior exercise of consumer protection rights

30 day letter

- Approved, denied & why

Credit without a co-signor

Age is considered only to make favorable decisions or to be sure you are at least 18 years old.

Fair Debt Collections Practices Act

No contact

- before 8 am & after 9 pm
- if you write to them
- if you have an attorney and collector is notified of it

No threats, harassment, deception

Written notice

- Amount & Creditor within 5 days of 1st contact

If debt not yours

- Write within 30 days