



Understanding Your Credit Report and Score

KASFAA
Owensboro KY
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Education Lending*

Agenda

- i. Purpose of a credit report**
- ii. What information is contained in a credit report?**
- iii. Purpose of a credit score**
- iv. What information is contained in a credit score?**
- v. Credit repair tips**
- vi. Identity Theft – It could happen to you!**

Credit Report Purpose

- ✓ Provides a history of your credit use to current and prospective lenders.
- ✓ Allows lenders to assess risk of extending credit or lending money to you
- ✓ Used for all forms of credit, including private and PLUS student loans, apartment rental, etc.

Credit Report Information

Information that is included:

Identifying info: your name (nickname), current & previous addresses, phone number, ssn, date of birth, current & previous employers

Specific info about each credit account: date opened, credit limit/loan amount, monthly payment & payment pattern

Public records: federal district bankruptcy, state & county tax liens, monetary judgments

Credit inquiries: names of people/companies requesting your credit history

Statements of dispute: added only after official consumer dispute is filed, investigated, and agreement between consumer & credit grantor cannot be reached

Credit Report Information

Information that is excluded:

- Race
- Religious preference
- Personal lifestyle
- Political preference
- Medical history
- Friends
- Criminal record
- Income
- Any other unrelated information

Credit Reporting Agencies

3 Major Credit Reporting Agencies:

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

Visit www.annualcreditreport.com for a free annual credit report (sponsored by Equifax, Experian and TransUnion)

Call, write, or access your report online. Report is free if denied credit in past 60 days or live in certain states.

Monitor report regularly for accuracy.

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What is a Credit Score?

Summary of credit report info represented as single number, based on mathematical calculation

- ✓ Predicts future payment performance (risk to lender)
- ✓ FICO (Fair, Isaac & Co.) most common score type
- ✓ FICO's range from 300 to 850; the higher the better
- ✓ No single "cut-off" score used by all lenders to make credit decisions
- ✓ Scores are *fluid* - recalculated each inquiry
- ✓ Not physically stored on credit report, but may be requested with report – *for a fee*.

Average FICO Score

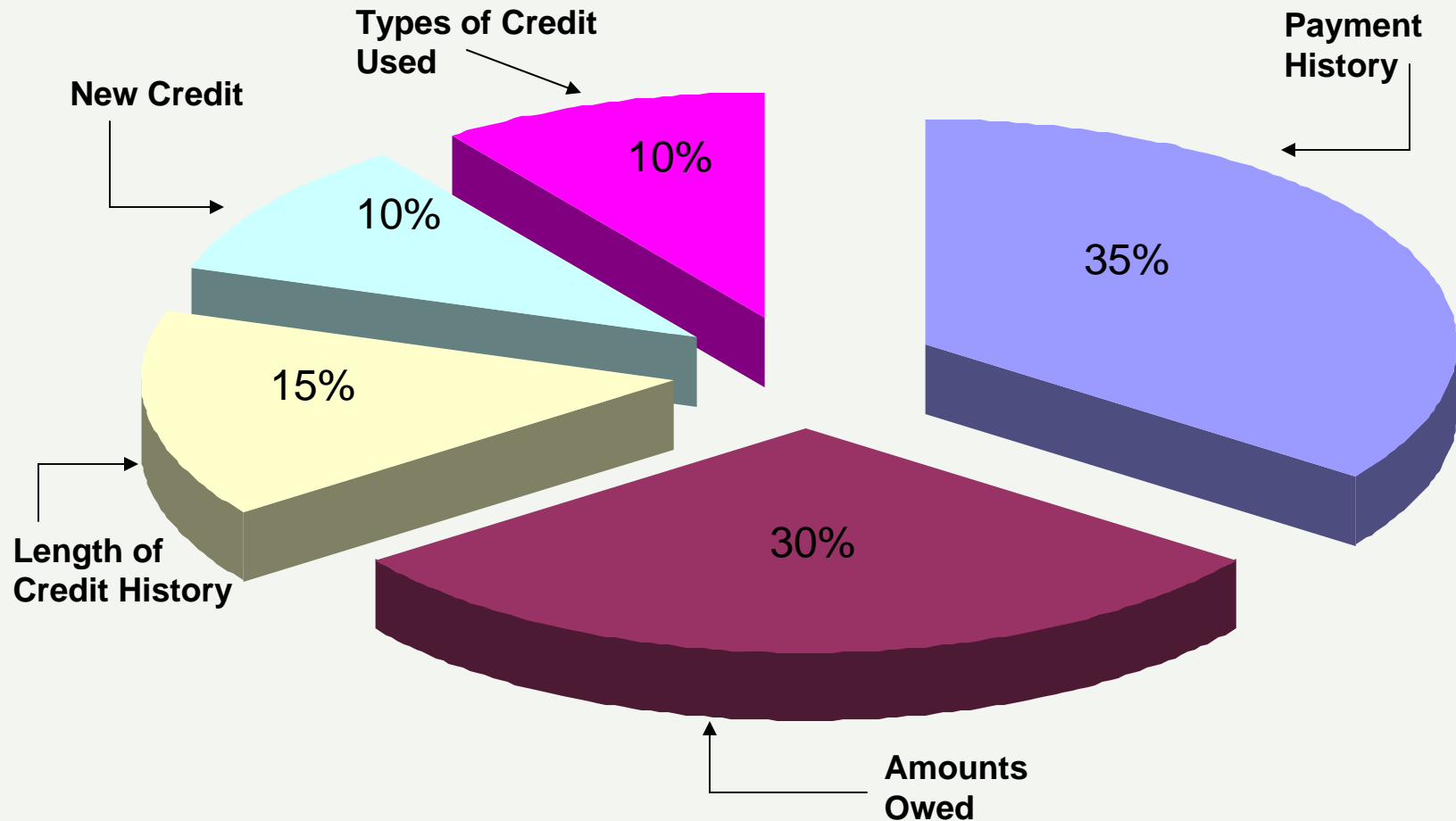
Nationwide	692
Kentucky	688

Lexington	682
Louisville	693
Owensboro	702
Bowling Green	688
Florence	696
Richmond	682

Source: nationalscoreindex.com

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Credit Score Factors



Source: www.myfico.com

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Credit Score Factors

Payment History – 35%

Delinquent payments can have a *major* negative impact on scoring.

Amount Owed – 30%

Higher credit utilization will negatively impact credit score.

Length of Credit History – 15%

The longer the history, the higher the score.

New Credit – 10%

High number of inquiries in 12 month period.

Type of Credit Used – 10%

Higher percentage of secured

FICO Score Factors

Your FICO does *not* evaluate:

- ✓ Your age, race, religion, sex, or marital status
- ✓ Your occupation, salary, debt-to-income ratio or employment history
- ✓ Where you live
- ✓ Child/family support obligations
- ✓ Rental agreements
- ✓ Certain inquiries:
 - that you make to check your credit report (consumer-initiated)
 - promotional inquiries by lenders to offer you pre-approved credit
 - administrative inquiries by lenders to review your account with them
 - requests from potential employers

Why Lenders Use FICO scores

- Simplicity (summarizes credit report info)
- Consistency
- Widely recognized
- Updated regularly
- Enables quick credit decision

Note: Not all lenders use FICO

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How to Use Your FICO

- If denied credit, ask lender for “**score reasons**”
 - Up to **4** score reasons provided with your FICO that explain why score isn't higher, such as:
 - Number of accounts with delinquency*
 - Amount owed on accounts*
 - Too many accounts with balances*
 - Understanding reasons can help you improve FICO over time
- Before making major purchase using credit, find out your **FICO**
 - May allow you to make payment adjustments so FICO is higher at time of purchase

Note: Not all lenders use FICO

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Improving your FICO score

- Make loan/credit payments on time
- Reduce open lines of credit
- Keep balances low

Credit Repair

- You cannot “repair” poor credit
 - derogatory credit remains on your report for up to 10 years
 - avoid paying for “credit repair” services that guarantee to fix poor credit
- You can correct inaccurate information
 - dispute incorrect credit information
 - update personal information
- You can improve credit behavior
 - pay off credit cards in full monthly
 - make payments on time
 - don't have too many open lines of credit

Recommendations for establishing credit:

Example:

- ✓ Get a credit card with a reasonable limit.
- ✓ Buy something that costs around \$75; take two months to pay it back.
- ✓ Do it again.
- ✓ **PAY ON TIME!**
- ✓ Need about 12 months of activity to develop a credit history.

Recommendations to help with existing credit:

- ✓ PAY BILLS ON TIME!
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- ✓ Keep charges and balances on your current credit card at **a third to a half** of the maximum amount.
- ✓ Ignore new credit card offers. The free gifts offered end up costing money. This includes department stores, airline/hotel affinity cards, etc.

Credit Help

- **American Consumer Credit Counseling:**
www.consumercredit.com or 800-769-3571
- **National Foundation for Credit Counseling:**
www.nfcc.org or 800-388-2227
- **Myvesta:** www.myvesta.org or 800-698-3782
- Avoid credit “repair” services that charge a fee and guarantee “fixing” a poor credit record.

Protecting Your Identity

- When you stop using a credit card or bank account, formally close it rather than letting it become dormant. Ask for written confirmation.
- Know where your plastic is. Inform your bank immediately if you suspect your credit, debit and ATM cards are lost or stolen. Keep your card numbers and contact info in a safe place.
- Create passwords that are difficult to crack. Never write them down and keep them with you.

Protecting Your Identity

- Don't respond to phishing. Banks will never ask you for personal details via email. If you question the legitimacy, call your bank.
- Keep your private information private. Never speak your SSN in public, over the phone, or use on the internet. Be careful of "unlocked" mailboxes.
- On an annual basis, check your credit report. Notify the credit bureau if you spot mistakes.

Protecting Your Identity

- Be careful with old personal documents such as paid bills, bank statements, and receipts. Shred personal documents you no longer need.
- Store your personal documents securely by keeping them out of sight from visitors to your home.
- If your address changes, inform your bank, utility companies, and everyone who sends you mail.
- Call 888-5OPTOUT ([888-567-8688](tel:888-567-8688)) to be removed from direct mailing lists.

Helpful Resources

- **Federal Trade Commission:**
www.consumer.gov/idtheft/
- **Identity Theft Resource Center:**
www.idtheftcenter.org
- www.myfico.com
- www.nationalscoreindex.com
- www.annualcreditreport.com

Questions?

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