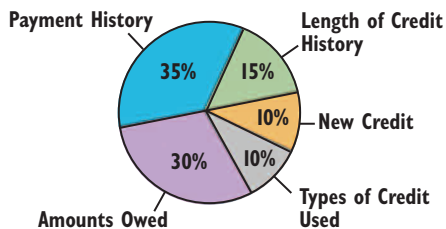


AmeriCU Credit Union – Credit Repair Kit

Helping AmeriCU Members Improve Their Financial Fitness

How one manages credit plays a major role in most people's lives, that's why understanding what credit is and how it works is so important. A great way to increase your understanding of credit is by building your basic knowledge of two credit fundamentals: **Credit Scores** and **Credit Reports**.

Your **Credit Score** is a number based on information in your credit file showing how likely you'll pay a loan back on time. The higher your score, the less risk you represent to a potential lender. The credit score that most lenders use is called a FICO® score. Your FICO score helps a lender determine the interest rate you'll pay on a loan and may be a factor within the lenders' underwriting criteria. Many lenders utilize "managed credit" or "risk-based lending" practices that correlate a higher risk (based on past credit behaviors) with a higher rate. Higher FICO scores result in lower interest rates (reducing expenses related to borrowing).



FICO Scores are based on multiple pieces of data, both positive and negative, grouped into five categories. The percentages in the chart reflect the importance of each category, in general, in determining your score.

A score takes into consideration all these categories of information, therefore no one category, piece of information or incident alone will determine your score.

- **Payment History** – includes length and amount owed on past-due accounts, adverse public records (bankruptcies, judgments, etc...), past due items, accounts paid as agreed, etc...
- **Amounts Owed** – number of accounts with balances, amounts owed on accounts, balances used (as a portion of total credit available), etc...
- **Length of Credit History** – time since accounts opened, since account activity
- **New Credit** – number of recently opened accounts, amount of time since opened, time since credit inquiries, re-establishment of positive history following past payment problems, etc...
- **Types of Credit Used** – number of various types of accounts (retail accounts, mortgage, installment loans, credit cards, consumer finance accounts, etc.)

Approximate Credit Weight for Past Behaviors

Correct past credit problems by beginning "positive" credit behaviors today! As time goes by past payment problems count less and less. Getting bills paid up and balances paid down...really pays!

- Current to 12 months = 40%
- 13 to 24 months = 30%
- 25 to 36 months = 20%
- 37+ months = 10%

What Doesn't Affect the Score?

Debt Ratio, Income, Length of Residence, Length of Employment, Gender, Race or National Origin.

How Do People Score?

Based on the general US population's FICO scores, peoples' scores (which can range from 300 to 850) generally fall within five groups:

Below 620 20%	620-690 20%	690-740 20%	740-780 20%	Above 780 20%
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Improving Your FICO® Score

Raising your score is a bit like trying to lose weight: It takes time and there's no quick fix. The best advice is to manage credit responsibly over time. You can save by following these tips and raising your score.



Build a Positive Payment History

- Pay your bills on time. (Delinquent payments & collections negatively impact your score.)
- If you've missed payments, get current. The longer you pay on time, the better your score.
- Be aware, collection accounts once paid off will stay on your report for seven years.
- If you are having trouble making ends meet, contact your creditors or see a legitimate credit counselor.
- This may not improve your score immediately, but managing your credit and paying on time, will eventually pay off.

Don't Get "Over-Extended"

- Keep balances low on credit cards and other "revolving credit," high outstanding debt can affect a score.
- Pay off debt rather than moving it around. The most effective way to improve your score is by paying down revolving credit. Owing the same amount but with fewer open accounts may lower your score.
- Closing unused credit cards as a short-term strategy will not raise your score.
- Don't open a number of new credit cards that you don't need, just to increase your available credit. This approach could backfire and actually lower your score.

Build a Positive Credit History Over Time

- If you have been managing credit for a short time, don't open a lot of new accounts too rapidly.
- New accounts will lower your average account age, which will have a larger effect on your score if you don't have a lot of other credit information. Rapid account buildup looks risky if you're a new credit user.

Be Cautious in Opening New Credit Accounts

- Do your rate shopping for a given loan within a focused period of time. FICO® scores distinguish between a search for a single loan and many new credit lines, in part by length of time inquiries occur.
- Re-establish your credit history if you have had problems.
- Opening new accounts responsibly and paying them off on time will raise your score in the long term.

NOTE: It's OK to request and check your own credit report. This won't affect your score, as long as you order your credit report directly from the credit reporting agency or through an authorized organization.

Carefully Shop for the Types of Credit Needed

- Apply for and open new credit accounts only as needed.
- Don't open accounts just to have a better credit mix - it probably won't raise your score.
- Have credit cards - but manage them responsibly.
- In general, having credit cards and installment loans (and paying timely payments) will raise your score. One with no credit cards, tends to be higher risk than one who has managed credit cards responsibly.

NOTE: Closing an account doesn't make it go away. A closed account will still show up on your credit report, and may be considered by the score.

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Your **Credit Report** details your credit history as reported to credit reporting agencies by lenders who've extended credit to you in the past. Thousands of lenders (credit card issuers, banks, credit unions, finance companies) send information updates to these agencies, usually once a month, on how customers use and pay their accounts.

There are primarily three credit reporting agencies (Equifax, Experian and TransUnion) who maintain files on millions of borrowers. Lenders who make credit decisions purchase credit reports on prospects, applicants and customers from these agencies.

Your credit report lists the types of credit used, length of time accounts have been open, and whether you've paid your bills on time. It provides lenders a broader view of your credit history than do limited sources, such as a bank's own customer data. The ability to quickly, fairly and consistently consider this information is what makes credit scoring so useful.

What's in your Credit Report?

Although formats are different, all credit reports contain basically the same categories of information:

- **Identifying Information** – Includes name, address, social security number, date of birth and employment information. These factors are not used in credit bureau scoring, updates come from information you supply to lenders.
- **Trade Lines** – Trade Lines are your credit accounts, information includes type of account, open date, credit limit or loan amount, account balance and payment history.
- **Inquiries** – When you apply for a loan, you authorize the lender to obtain a copy of your credit report. Each organization that accessed your credit history within the last two years will be listed. This list includes both “voluntary” and “involuntary” inquiries, such as pre-approved offers made by lenders.
- **Public Record and Collection Items** – Credit reporting agencies also collect public record information from state and county courts and information on overdue debt from collection agencies. Public records include bankruptcies, foreclosures, suits, wage attachments, liens and judgments.

CREDIT BUREAU REPORT

Identifying Information

Anita Loan	DOB: 1/1/60
123 Main St.	SSN: 888-88-8888
Anytown, NY 12345	Joe's Electric
	Cashier / 1980

Trade Line Information

<u>IND</u>	<u>DATE</u> <u>REP.T</u>	<u>DATE</u> <u>OPEN</u>	<u>HIGH</u> <u>CRED.</u>	<u>BAL</u>	<u>CURR</u> <u>RAT.</u>	<u>HIST</u> <u>DEL.</u>
Bank	7-03	3-88	\$5,000	\$ 0	Current	120+ / 6yr
Auto	7-03	7-95	8,000	\$ 0	Current	
Retail	5-03	6-91	1,000	\$30	30 days	
PerFin	5-02	6-96	2,000	\$150	Current	

Inquiries You Initiate

<u>DATE</u>	<u>INDUSTRY</u>	<u>DATE</u>	<u>INDUSTRY</u>
7-1-03	Bank	7-5-03	Auto Finance
5-8-02	Retail	6-1-01	Retail

Other Inquiries

<u>DATE</u>	<u>INDUSTRY</u>
3-1-03	Bank
1-8-02	Retail

Public Record / Collection Items

7-01	Collection	\$500
4-02	Collection	\$650
9-99	Judgment	\$1200 Satisfied 3-00

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How to Obtain a FREE Copy of your Credit Report

There are three ways to get a free copy of your credit report each year.

1. Call the Annual Credit Report Request Service Toll-Free at 1.877.322.8228.
2. Complete an Annual Credit Report Request Form (obtain this form at <https://www.annualcreditreport.com/cra/requestformfinal.pdf> and mail it to: Annual Credit Report Request Service, PO Box 105281, Atlanta, GA, 30348-5281.
3. Go online to request a copy at www.annualcreditreport.com

Don't be lured into any imposter sites designed to scam you. If you choose to request your report online, be sure to utilize the correct web address above. However, the best way to protect your accounts and privacy is by calling the Annual Credit Report Request Service (sponsored by Equifax, Experian and TransUnion).

The free credit reports come as a result of the FTC's final ruling under the Fair and Accurate Credit Transactions Act. After September 1, 2005, access to free credit reports is available nationwide.

To request a copy from any one of the reporting agencies directly:

- Equifax: 1.800.685.1111, www.equifax.com
- Experian (formerly TRW): 1.888.397.3742, www.experian.com
- TransUnion: 1.800.888.4213, www.transunion.com

Correcting Errors on Your Credit Report

If you find an error, the credit reporting agency must investigate and respond to you within 30 days. Contact each of the credit reporting agencies above in writing, for corrections or disputes. If you are in the process of applying for a loan, immediately notify your lender of any incorrect information. Your lender will need to reorder your credit report and score once any changes have been made to your information at the credit reporting agency. Small errors may have little or no effect on your score. If there are significant errors, however, the lender may disregard the score.

NOTE: Only the credit reporting agencies have the data from which FICO® scores are calculated. Lenders can't correct data at the credit reporting agencies.

How long does information stay on my Credit Report?


Positive credit information remains indefinitely, although it will cycle off within seven years, if no new information is reported, or the account is closed.

Most negative information remains for up to seven years. Bankruptcies can remain up to 10 years. Other public records usually remain for up to seven years. Most inquiries will stay on your report for up to two years.

Does my score alone determine whether I will get credit?

No. Most lenders use a number of facts to make credit decisions, including your FICO score. Other factors used may include debt to income ratio, type of credit sought, your employment history and your credit history. Based on a lender's perception of this information, as well as their specific underwriting policies, lenders may choose to decline requests for credit even though a score is high, or extend credit although a score is low.



 Equal Housing Lender
Equal Opportunity Lender
Membership restrictions apply.
Federally insured by the NCUA.
Form # MK-CR01 8/2008


AmeriCU
CREDIT UNION
EXPERIENCE FINANCIAL FREEDOM

Your savings federally insured to at least \$100,000 and backed
by the full faith and credit of the United States Government
NCUA
National Credit Union Administration, a U.S. Government Agency