

# Credit 101



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# TOPICS



**Credit Scores  
& Impact**



**Maintaining  
Good Credit**



**Reestablishing  
Your Credit**

# *Credit Scores* **& Their Impact**

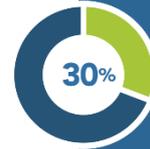
## What's a Credit Score?

FICO Scores range from **300 to 850** and represent creditworthiness.

It answers the question:  
How likely are you to repay the loan?



**Payment History**  
*Do you pay bills on time?*



**Amounts Owed on Revolving Credit**  
*Limit vs Balance*



**Length of Credit History**  
*How established is your credit history?*



**New Credit**  
*Are you increasing your debt obligations?*



**Types of Credit Currently in Use**  
*Do you have a "healthy mix"?*

# What's Not on Your Credit Report?



## PERSONAL

Race, Ethnicity, Religion,  
Medical Records, Gender,  
or Criminal Record

Marital Status

Occupation



## FINANCIAL

Bank Account Information

Savings Accounts

Interest Rates you  
pay for Loans/ Credit

Retirement Funds

Income/Salary

Checking Account Activity



## OTHER

Prepaid Card Transactions

Debt-to-Income Ratio

Expired Credit Information

Utility Payments  
*can be reported as  
alternative credit line*

# Credit Scores & Their Impact

## What Affects your Credit?



### Consistent Payments

When you borrow money through the loan process and can't or don't pay back your loan, you can negatively impact your credit score.



### On-Time Payments

Credit scores are based on your on-time repayments and how much money you have borrowed in your name.



### Credit Reports

Credit reports are used to evaluate your creditworthiness.

# What Does Your Credit Affect?



## **Risk Category**

Lenders look at the amount of debt you carry, your ability to repay it and your history. Generally, the more debt you have, the higher risk category you are assigned to.



## **Loan Rates**

Credit scores determine whether you get a good rate on a home or car loan, and whether you get a loan.

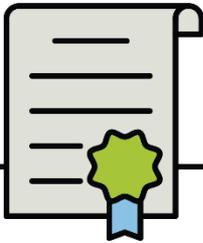


## **Employment**

Employers, insurers, and more look at your credit score, so a bad score means more than being turned down for a loan; it could mean not getting a job or having to pay more for car insurance.

## Credit Scores & Their Impact

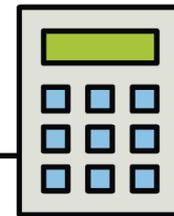
# Getting & Keeping a Good Credit Score



Think of your credit score as a financial GPA. Your goal is to keep improving it, and then maintain it when it's the highest you can achieve.



Always strive to keep it higher than it currently is.



And if you've recently earned a lower grade, say, in the form of making late payments, you'll need to work that much harder to raise your score!

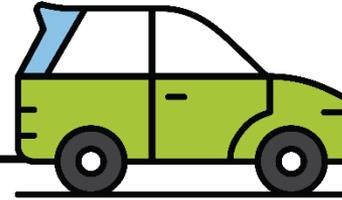
## Credit Scores & Their Impact



### Buying a House

You are applying for a mortgage on a \$300,000 house with a 620 credit score. Your interest rate may be 8.5% APR\*, whereas a buyer with a 760+ credit score may have an interest rate 6.5% APR.

A 2% difference may not sound like much but the mortgage payment would increase by \$410 per month – Costing you \$147,600 more over a 30-year term.



### Buying a Car

You are buying a \$30,000 car with a 650 credit score. You may receive a 10.49% APR interest rate. A buyer with a 740 score may receive a rate of 7.49% APR.

A 3% difference would add \$45 a month to a 72-month loan. The overall interest paid increases substantially from \$7,340 to \$10,558. That's an increase of \$3,218 over the life of the loan!

\*APR = Annual Percentage Rate

## Bankruptcy

Bankruptcy is a legal process overseen by federal bankruptcy courts. It's designed to help individuals and businesses eliminate all or part of their debt or to help them repay a portion of what they owe.

Bankruptcy may help you get relief from your debt, but it's important to understand that declaring bankruptcy may have a serious, long-term effect on your credit. Bankruptcy will remain on your credit report for 7-10 years, affecting your ability to open credit card accounts and get approved for loans with favorable rates.

Of the various types of bankruptcy, two of the most common are Chapter 7 and Chapter 13.

Bankruptcy can allow you a fresh start, but it will stay on your credit reports for a number of years and make it difficult to borrow in the future.

Type of Bankruptcy	How long it reports on your credit report from date of filing
Chapter 7	10 Years
Chapter 13	7 Years



# Credit Scores & Their Impact



Pay your bills  
on time



Don't open new  
lines of credit



Get current on  
past due bills



Keep track of  
your credit report



Keep credit  
balances low



Set up reminders  
to pay bills



Request a free copy  
of your credit report



Reduce your debt



Be patient



# Questions?

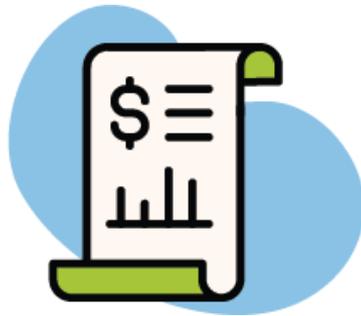
*Maintaining*  
**Good Credit**

## Tips to Maintain Good Credit



### Payment History

Pay your bills on time.  
If you have missed payments, get current and stay current.



### Length of Credit History

Age of your oldest account.



### Utilization

Keep balances low on credit cards.

Use no more than 30% of your limit.

Pay off debt rather than moving it around.



### Types of Credit Use

A mix of credit cards and secured loans.

# How to View your Credit Report & Score



1

**AnnualCreditReport.com**

2

**Financial Institution Online Banking or Mobile App**

3

**After You Apply For Credit**

*Score and/or report mailed*

4

**Credit Monitoring Apps**

*Credit Karma, Credit Sesame, SavvyMoney*

5

**Budgeting Apps**

*Mint*

## Borrowing Money



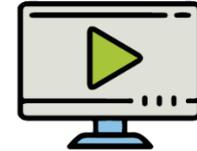
### **1** LOANS

You borrow money by taking a loan when you have a need, and not all the money is saved to pay cash. Such things as a car, house, boat, and/or credit card.



### **2** NEEDS

Smart reasons to get a loan include paying for college, buying or repairing a car so you can get to and from school or work, or buying a new suit for a job interview.



### **3** OTHER

Not so smart reasons for borrowing would be to go on a vacation or buy a big screen TV, since these are things you might want to save for.

## Credit Inquires

1

How many credit inquiries are too many?

2

What is the difference between a soft and hard pull of credit?





# Questions?

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# *Reestablishing* **Your Credit**

# Reestablishing Your Credit



**Make consistent, on-time payments**



**Build an emergency savings fund**



**Reduce credit card use**



**Take your time and be patient**



**Keep balances low**



**Monitor your credit and ensure everything is accurately reporting (SavvyMoney)**

# Reestablishing Your Credit



**Secured Credit Card**



**Be smart in making credit inquiries**



**Consider a credit builder loan**



**Enroll in Autopay**



**Utilize a co-signer**



**Check to see if non-credit related payment (i.e. rent, utilities, cell phone) reported to the bureaus**



**Ask to be an authorized user**



**Schedule a time with a TAPCO certified Financial Counselor**



# Questions?



*Thank You*  
**For Joining Us**



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