



Credit Scores:

THE NUTS AND BOLTS



Table of Contents

- Calculating a Credit Score 3
- Getting Your Free Credit Report 5
- Getting Your Credit Score 5
- Credit Repair Scams 6

Calculating a Credit Score

Attaining and improving your credit score is a serious decision making process. Understanding the key factors can save you money throughout your financial journey and provide you with the tools to improve your overall financial position. In this exercise you will outline goals and create a plan on how to begin and/or improve your credit.

1. Starting Credit

If you have not begun credit, what is your plan to begin? List two of your upcoming purchases and identify a date when you plan to complete this and your preferred method to begin.

2. Understanding and Maintaining Credit

If you have a credit score, what is it? _____.

- A. Payment history accounts for about 35% of your credit score. A single 30 or 60 day missed is easier to recover from, but can hurt your score significantly. Check the following to ensure you are following best practice.
- Payments are set on automatic payment.
 - Look at your credit report and identify how many miss payments you have if any.
- B. Outstanding debt accounts for about 30% of your credit score. Credit use matters the most for each individual card. The average use across all your cards is important, too. Check the following to ensure you are following best practice.
- Credit card balances fall under 30%.
 - Calculate your credit card utilization ratio to know if you are following best practices:
 - Add up the balances on all your credit cards:

 - Add up the credit limits on all your cards:

 - Divide the total balance by the total credit limit:

 - Multiply by 100 to see your credit utilization ratio as a percentage:

- C. Length of Credit History accounts for about 15%. Someone with a longer history of on-time payments is considered less risk.
 - Have you been using credit for 10 weeks or 10 years?
- D. New Credit accounts for 10% of your score. Opening several new accounts in a short period of time can represent greater risk to lenders, especially for borrowers who do not have a long credit history.
 - Have you applied for any new loans or lines of credit recently?
- E. Credit Mix or Credit Types such as credit cards, an auto loan, a mortgage and student loans are different types of credit and account for 10% of your score. Don't fret about an exact number or mix, since you will build these over time.
 - Do you have a variety of credit types?

Getting Your Free Report

Get your free Equifax, Experian, or TransUnion credit reports by logging on to <https://www.annualcreditreport.com/index.action>.

Step 1: Log on to <https://www.annualcreditreport.com> and select “Request your free credit reports.”

Step 2: Fill out the form. You will need the following information:

- Your name, birthdate, and Social Security number;
- Your current address where you have lived for two or more years; and
- A previous address, if you have lived at your current address for less than two years.

Step 3: Select the credit reports you want. Remember to space out these requests so that you can get one free report from a bureau every four months.

Step 4: Review and confirm that the information you have entered is correct.

You can also get your free Equifax, Experian, or TransUnion credit reports by calling 1-877-322-8228.

To Get Your Credit Score

- Consider the three major credit bureaus: TransUnion, Experian, and Equifax. They will charge fees for providing your score.

Credit Counseling Services

- National Foundation for Credit Counseling: <https://www.nfcc.org>
- Financial Coaching Association of America: <https://www.fcaa.org>

Are You a Member?

- You can access your credit score through your Epic or Epic premium checking account!

Credit Repair Scams

Read the following scenario, and circle or underline the red flags.

After her house falls into foreclosure, Anna researches several credit repair agencies.

The first agency promises to remove bad credit information from Anna's report. All she has to do is pay an up-front fee. Anna is worried about her bad debts, but the company assures her that it can scrub all negative information from her report. The company also advises Anna not to contact the credit bureaus directly since doing so will negatively affect the repair agency's efforts.

How many red flags did you catch in the scenario?

Other Signs of Credit Repair Scams

- Asking for a signature on blank paperwork. If an agency asks you to sign blank paperwork so it can act on your behalf, it is a scam. Never sign paperwork, especially legal paperwork, without reading it thoroughly and without the help of a lawyer.
- Credit profile number scams. Promises of a new credit identity by issuing a credit profile number or a credit privacy number that is similar to a Social Security number are a scam.
- Fake Social Security number scams. If an agency encourages you to use a fake Social Security number or to apply for an Employer Identification Number (EIN) for tax purposes, it is a scam. EINs are typically used by businesses, not by individuals.

