

READY SET GO

GUIDES

Understanding Your Credit Report and Credit Score

There are two main pieces to the puzzle, your credit report and your credit score.

Your credit report lists what types of credit you use, the length of time your accounts have been open, and if you paid your bills on time. Your credit score is a calculation of variables based on your credit report. The credit score influences the way credit will be extended to you. It summarizes your credit risk based on a snapshot of your credit report. Whether you are in the market for a credit card, car loan or a mortgage, your credit score will determine whether or not you are approved for a loan and what interest rate and term you will receive. Understanding your credit score can help you with your overall financial wealth.

The FICO (Fair Isaac and Company) score is the standard credit score in the United States that is used in more than 90% of lending decisions. The FICO credit scores range from 300 to 850. A better credit score means better financial options for you. You can get a loan faster, more terms are extended to you and you receive lower interest rates which saves you money. You can retrieve your FICO score from three major credit reporting agencies.

Equifax	Experian	TransUnion
Equifax.com	Experian.com	transunion.com
PO Box 105069	PO Box 4500	PO Box 6790
Atlanta, GA 30349	Allen, TX 75013	Fullerton, CA 92634
(800)525-6285	(888) 397-3742	(800) 680-7289

TIP: It's a good idea to check your score once a year to make sure everything is reporting correctly. You can retrieve your credit report for free at annualcreditreport.com. Bring in your credit report to any 3Rivers location and we can go over it together and come up with a financial plan so you can meet your goals. If you find any errors you can contact the credit reporting agencies to dispute these errors and get them corrected.

So what information is in my credit report?

Personal information-name, address, social security number, date of birth, etc.

Accounts-Type of account (credit card, auto loan, mortgage, etc.) date you opened the account, credit limit or loan amount, account balance and your payment history. Lenders will report delinquency information as well as payments made on time.

Inquiries-When you apply for a loan you authorize that lender to request a copy of your credit report, this results in an inquiry. This will include a list of lenders who have accessed your credit report within the last 24 months.

How is my Credit Score Calculated?

Payment History- This includes on-time payments and delinquencies. On-time Payments are critical to a healthy credit bureau score. If you have had late payments in the past get back on track because the longer you pay your bills on time, the better your score will become. Current delinquency carries 5 times the weight of past delinquency.

Major detriments to a credit score include:

- Bankruptcy-250 points lost
- Foreclosures-150 points lost
- Repossessions and Judgements-100 points lost
- Garnishments and Tax Liens-75-100 points lost
- Deed in Lieu/Short Sales-80 points lost
- Collections-75-100 points lost
- 30 day delinquency-60 points lost



Are You Ready?

You are now armed with the tools you need to make smart spending and borrowing decisions and 3 Rivers is here for you every step of the way.

Amount Owed/Capacity-

This is the amount available to you versus the amount owed on a loan or that is available for you to borrow against.

Limit on Credit Card	Balance	Available	Used
\$10,000	\$3,000	70%	30%

The ideal percentage for balance to credit limit on revolving lines to obtain the premium credit score is 25%-30%. It is estimated for every percentage point used over this amount will decrease your credit score by 1 point.

In some cases if you are just starting to establish credit having a small balance without missing a payment shows that you are managing credit responsibly and maybe slightly better than carrying no balance at all.

Length of History

Your credit score looks at the age of your oldest accounts, the age of your newest account and the average age of all of your accounts. This is why you may have heard "Don't close the oldest credit card" as this could shorten your oldest account. It also considers how long it has been since you used certain accounts.

New Credit

People today are applying for credit more frequently than ever before. New credit trade lines are an accumulation of credit inquiries. Inquiries are indicators of people/companies who have pulled your credit report to determine your "credit worthiness." Not all inquiries are created equally; there are voluntary inquiries and involuntary inquiries. Voluntary Inquiries are a list of all inquiries in the past 24 months and scoring is from the last 12 months of inquiries. Each inquiry is about 5 points and "like inquiries" count as 1 inquiry. So if you are auto shopping do all rate shopping at one time instead of over a length of time. Involuntary Inquiries do not impact your credit score. These can be from current account reviews, promotional offers, and insurance or employee inquiries.

Types of Credit

There are 3 types of credit lines: Revolving, Installment and Real Estate. The score will consider all of these to show you can manage each type; however it is not necessary to have all types. Revolving is like bad cholesterol. It's ok to have in moderation but you don't want to build a diet around it. These included unsecured term loans, lines of credit and credit cards. These are higher interest rates as usually they are higher risk for lenders since there is no collateral. Installment is like good cholesterol. It provides great benefits in credit building as they are low to moderate risk since many are titled goods like auto loans so the interest rates are lower than revolving loans. Real Estate loans are the most watched trade line on the bureau. They are low to moderate rates. These include mortgage loans and home equity loans.

Remember your credit report and score are like your job résumé, they tell what you've done financially and how you've managed those financials. How you have managed your financials in the past does not have to determine your future. You can build your credit score up over time by following good borrowing practices and paying your existing debt down and on time. At 3Rivers we are here to help you reach your financial goals.



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