

A stack of coins, including a gold coin and a silver coin, is shown in the top left corner of the slide.

# Build a Strong Credit History



*Brought to you by*  
**The New York University  
Federal Credit Union**

A stack of several coins, with one coin standing upright on top of a smaller stack to the right. The background is a dark blue gradient.

# Seminar Objectives

## Learn:

- Who needs to build good credit, and why
- Significance of credit report and score
- How to establish credit if you don't have any
- How to rebuild a good credit history
- Tips for using credit wisely
- Pitfalls that cost you plenty
- Your rights and responsibilities

# Case Study



## Situation:

- Joe Student, age 21
- Checking account at hometown bank
- No savings account
- Utility bills are in roommates' names
- Late rent payments twice last semester
- Credit: one gas card in parents' name (maxed out at \$800)
- Receives 6-8 credit card offers a week
- Turned down for personal loan

# Why build good credit?

## Improves your:

- Image in eyes of lenders
- Ability to get credit
  - Loans, apartment, insurance, credit cards, job
- Chances of getting lower interest rates on loans and other forms of credit



A stack of coins, including a quarter and a dime, is visible in the top left corner of the slide. The background is a dark blue gradient.

# Case Study: Michael and Ashley, both recent college graduates

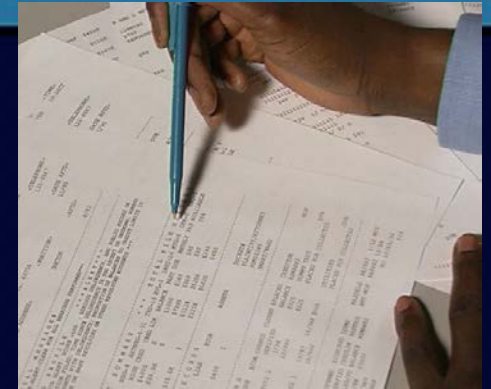
- **Michael** owes \$5000 on his credit cards, mostly from entertainment expenses and a spring break trip to Cancun. He only pays the minimum amount due each month and has paid late several times. Because of his poor credit record and low credit score (both of which we'll talk in a few minutes), he pays more for his car insurance, is required to pay a larger security deposit for his apartment, and has missed out on job opportunities and graduate school acceptance
- **Ashley**, in contrast, pays her credit card balances in full each month, pays all bills on time, and gets a free credit report each year from the three major credit-reporting agencies. Because of her good credit history and high credit score, Ashley has a low interest rate on her car loan, qualifies for low-interest credit cards, and recently qualified for a mortgage with a low interest rate.

**So.. Which scenario would *YOU* prefer?**

**And which one is more costly over the long term?**

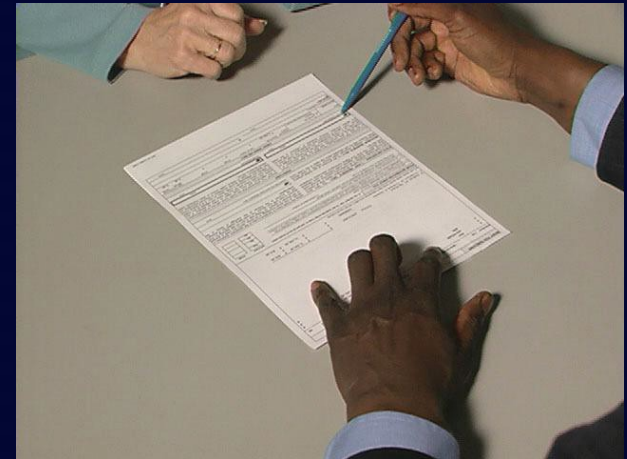
# What's in a credit report?

- **Identifying information**  
(name, SSN, date of birth, address)
- **Employment history**
- **Creditors and payment history**
- **Bankruptcies, judgments, liens, lawsuits**
- **Inquiries you initiated**  
(loan and credit applications, but not credit card solicitations)



# Who can look at your credit report?

- **Lenders**
- **Landlords**
- **Potential employers**
- **Insurance companies**



A stack of coins, including a quarter and a dime, is visible in the top left corner of the slide. The background is a dark blue gradient.

# How to order your credit report

- ***Annualcreditreport.com* (FACT Act)**
- **Mail request letter**
- **Call 877-322-8228**
  
- **Or, order through “Big 3” credit bureaus:**
  - **Equifax 800-685-1111**
  - **Experian 888-397-3742**
  - **TransUnion 800-888-4213**



A stack of several coins, with one coin standing upright on top of a smaller stack to the right. The coins are metallic and show some detail like a profile and the word 'LIBERTY'.

# If your credit report has errors ...

**The law entitles you to correct mistakes:**

- **Write to credit bureau**
- **Bureau has 30 days to investigate, notify you of results, and delete inaccurate information**
- **Disagree? Write dispute statement for your file**

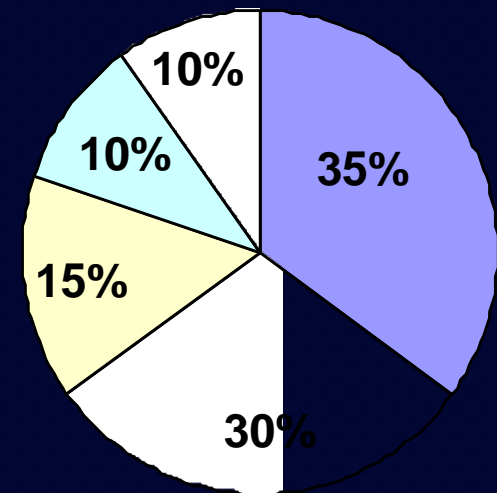
A stack of several coins, with one coin standing upright on top of a smaller stack to the right. The background is a dark blue gradient.

# What's a credit score?

- **Number that represents creditworthiness**
  - The higher the number, the better
  - Changes over time, depending on payment history
- **Answers the question, “How likely are you to repay the loan?”**
- **Range:**
  - FICO® – 300 to 850
  - VantageScore: 501 to 990
- **Order your score from “Big 3” or *myfico.com***

# Components of FICO credit score

- **Payment history (35% of score)**
  - *Do you pay bills on time?*
- **Amounts owed to creditors (30%)**
  - *Do you owe a lot of money to a lot of people?*
- **Length of credit history (15%)**
  - *How established is your credit history?*
- **New credit (10%)**
  - *Are you increasing your debt obligations?*
- **Types of credit currently in use (10%)**
  - *Do you have a “healthy mix”?*



A stack of coins, including a quarter and a dime, is visible in the top left corner of the slide. The background is a dark blue gradient.

# FICO Expansion™ Score

- For people who lack traditional credit history
- Based on:
  - Deposit account records, payday loan repayment, purchases made on payment plans, and other nontraditional data
- Who does it help?
  - Recently divorced or widowed
  - Immigrants
  - Young adults who are just starting to handle finances
  - Those who prefer to pay for services with cash

# Tips to build a strong credit score

- Pay all bills on time
- Keep credit utilization ratio < 25% of available credit
- Don't close all old accounts
- Don't open a flurry of new accounts
- Don't co-sign if other person has bad credit
- Pay your library fines



[Click to view video](#)

# How to *rebuild* a good credit history

- Order credit report; correct errors
- Pay all bills on time
- Pay down debt (consider consolidation loan)
- Establish emergency fund as backup
- Apply for small line of credit; pay on time
- Apply for secured credit card
- Get automated bill-pay and direct deposit
- Get help from CU or local CCCS



# Tips for using credit wisely

- Charge small amounts; pay on time
- Pay in full, or more than minimum
- Avoid minimum payment trap
- Don't max out cards
- Avoid late and over-the-limit fees
- Avoid cash advances
- Don't open flurry of new accounts



# Warning signs you have too much debt

- Only make minimum payments
- At or near credit limit on cards
- Don't know how much you owe
- Use cash advances to pay other bills
- Denied credit, or denied credit purchase
- Get calls from collection agencies
- Lie to spouse or family about spending
- More of total income going toward debts





A photograph of several stacks of coins, including quarters and dimes, arranged on a dark surface. The lighting is dramatic, highlighting the metallic texture of the coins.

# Beware the pitfalls

- **Credit repair clinics**
- **Rent-to-own**
- **Payday loans**
- **Pawn shops**
- **High-interest debt consolidations**

**(Continued)**

# More pitfalls ...

- Debt settlement
- Temptation from credit offers
  - To get off most solicitation lists ... Call 888-5opt-out;  
Visit [optoutprescreen.com](http://optoutprescreen.com)
- ID theft, phishing, vishing, smishing, and pharming
- Home equity scams
- Bankruptcy “sting” on credit report



A stack of several coins, with one coin standing upright on top of another stack. The coins are metallic and have some detail visible, though not clearly identifiable.

# Your rights and responsibilities

- **Get credit reports (per FACT Act)**
- **Ask “why” if you’re refused credit**
- **Contact creditors to work out repayment plan**
- **Report violations of Fair Debt Collections Practices Act**

A close-up photograph of several stacks of coins, including a quarter and a dime, set against a dark blue background. The coins are stacked in a way that creates a sense of depth and texture.

# What debt collectors *cannot* do

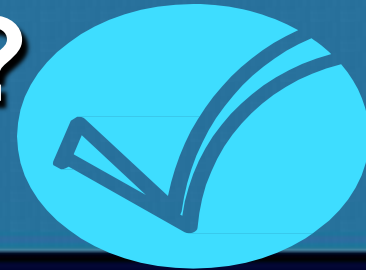
- Use threats or violence
- Use obscene or profane language
- Publish list of consumers who refuse to pay debts
- Repeatedly use the phone to annoy someone
- Use false statements or give false information
- Use a false name
- Send what looks like government/official documents
- Contact you by postcard
- Deposit post-dated check prematurely
- Threaten to take your property (unless it's legal)

# Case Study: You make the call

- Top priorities
- Credit-building strategies
- Future benefits from good credit
- Pitfalls to avoid
- Resources available



# Checklist: Are you ready?



- I have the basics in place: budget, tracking system, emergency fund.
- I plan to pay all bills on time.
- I plan to get my credit report and correct errors.
- I plan to take steps to increase my credit score.
- I plan to keep my utilization ratio below 25%.
- I plan to pay down debt.
- I understand the potential pitfalls.

A photograph of several stacks of coins, including quarters and dimes, on a dark surface. The lighting is dramatic, highlighting the metallic texture of the coins.

# Resources

**Credit Union National Association**

**[www.creditunion.coop](http://www.creditunion.coop)**

**(Has calculators, budget work sheets, and credit and debt resources)**

**Fair Isaac Corporation**

***Myfico.com***

**Consumer Credit Counseling Service**

***Nfcc.org* or 800-388-2227**

**Equifax 800-685-1111**

***Equifax.com***

**Experian 888-397-3742**

***Experian.com***

**TransUnion 800-888-4213**

***Transunion.com***

**Federal Trade Commission**

***FTC.gov***



**Remember ... your credit union can help you with all your financial challenges.**



AMERICA'S  
**CREDIT UNIONS™**

*Where **people** are worth more than money.™*