



Understanding Credit Reports and Scores

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Before we begin...

**Learn the basics to apply
the specifics.**

Areas of life impacted by credit reports and scores:

Financing

Utilities

Insurance

Employment

The Impact of Your Credit Score

- Ex: 60-month, new auto loan for \$20,000

FICO Score	Interest Rate	Monthly Payment	Total Interest Paid
720-850	4.082%	\$369	\$2,144
690-719	5.361%	\$381	\$2,844
660-689	7.484%	\$401	\$4,036
620-659	10.759%	\$432	\$5,947
590-619	15.764%	\$484	\$9,031
500-589	17.841%	\$506	\$10,358

What is credit?

Credit is an agreement wherein someone receives goods or services now with the understanding that they will pay the lender later.

Credit Report

Compiles information about how you handle credit and debt accounts

Credit Score

Your credit history expressed as a number

Credit Bureaus



- Review all three reports for a complete picture

What is on your credit report?

1. Identifying Information
2. Credit/Account Information
3. Bankruptcies and collection accounts
4. Inquiries (Hard pull vs. soft pull)

Not Included

- Income
- Assets
- Savings

Personal Information

This section of your report lists personal information that is associated with your history that has been reported by you, your creditors, and other sources. This section may include your name, Social Security number, employers, year of birth and telephone numbers.

Names

John Q Consumer

J.Q. Consumer

Jonathon Consumer

Social Security
number variations
999999999

Year of Birth
1962

Employer

ABC Company

Telephone Numbers

(555) 123-4567
Residential

Address

123 Maintown
Buffalo, NY 10000

Type of Residence
Multifamily

Credit reports may list all variations of your name, employers, telephone numbers, etc., so that you can see what is being reported.

Credit Accounts

Accounts with negative information, such as late payments, may be listed in this section.

Late payments and other negative items within the past two years generally have more impact on your credit scores than older information.

XYZ BANK

Address 110 Main St. Buffalo, NY 10000	Type Installment	Credit Limit/ Original Amount \$2500
Account Number 156487314564	Terms 36 months	High Balance N/A
Status Past due 60 days	Monthly Payment \$75.45	Recent Balance \$843.65 as of 11/2014
Account History 60 days late as of 12/2014 30 days late as of 11/2014	Responsibility Individual	Recent Payment \$0
Payment History	Late Payment Keys (days)	30 60 90+



Inquiry – Hard Pull

Requests reviewed by others

1 REALTY CO

Address

210 Main Rd.
Ste. 5
Anytown, CA 10000

Date of Request

7/16/2012

Comments

Real estate loan

A & B CU

Address

PO Box 5.
Anytown, MO 10000

Date of Request

2/23/2014

Comments

Permissible purpose

This is a list of creditors who have checked your credit report as a result of an application for a loan or a request for credit, goods, or services.

Inquiry – Soft Pull

Requests reviewed only by you

LMN BANK

Address

20 Main St.
Ste. 3
Buffalo, NY 10000

Date of Request

9/14/2014

Comments

Consumer Review

MY CREDIT UNION

Address

AAA First Street
Buffalo, NY 10000

Date of Request

5/10/2014

Comments

Account Review

This section lists all who have permissible purpose by law and requested to review your information. You may not have initiated these requests, so you may not recognize each source. For example, requests may come from creditors who want to offer you preapproved credit or an employer who wants to offer you employment.

Free Credit Reports

www.annualcreditreport.com

1. Fill out a form

2. Pick the report(s) you want

3. Request and review reports
online

Negative Information

7 Years

- Late payments
- Collection or charged off accounts
- Chapter 13 bankruptcy
- Repossessions
- Foreclosure

10 Years

- Chapter 7 bankruptcy

Positive Information...

Active accounts paid as agreed

- As long as account is open and creditor is reporting it

Closed accounts paid as agreed

- Up to 10 years

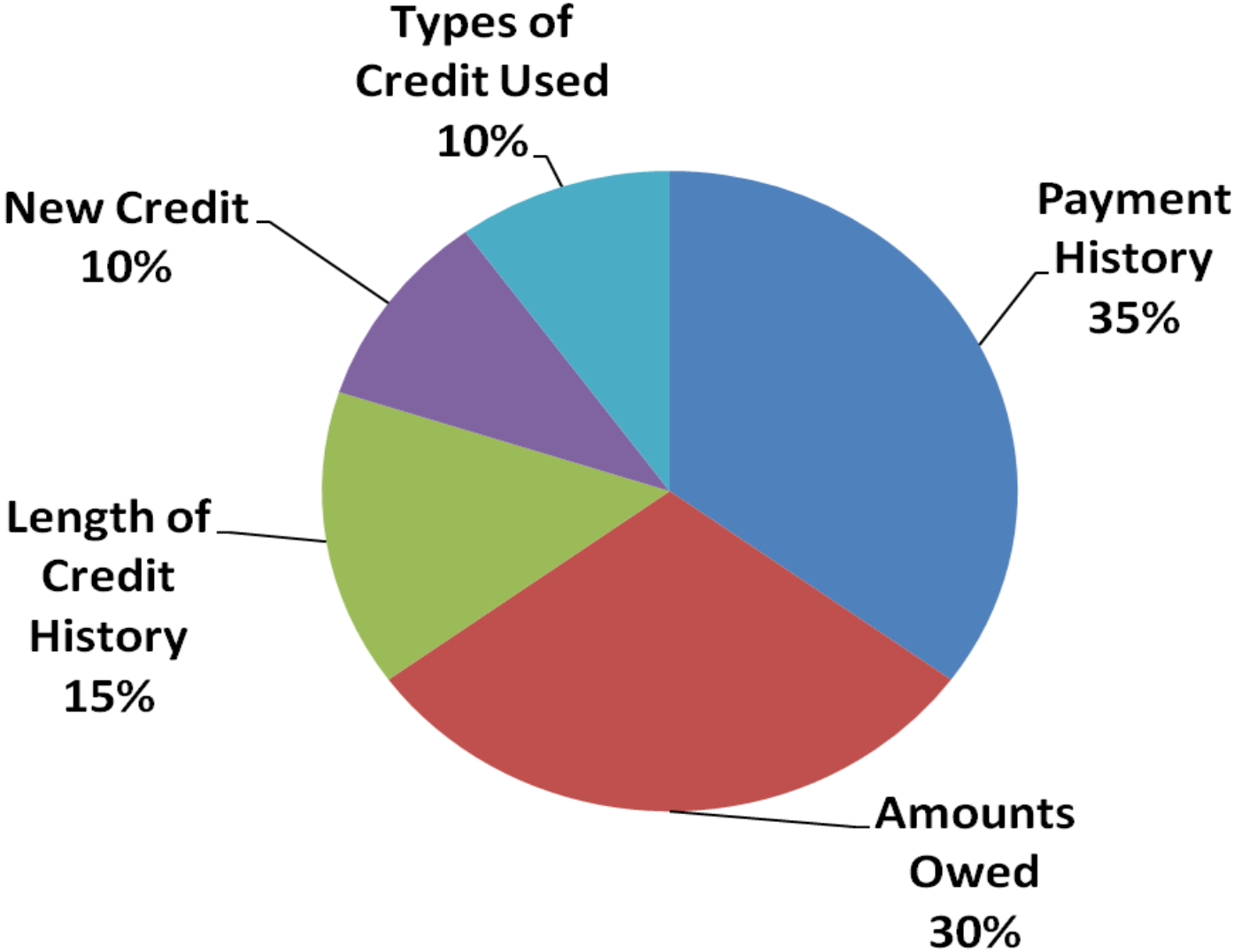
Credit Scores

- Three digit number
- Likelihood of repayment
- FICO (300-850)
- The higher the score, the better

Access to Credit Scores

1. Purchase from credit bureaus
2. Financial institution
3. Credit card provider
4. Apps for phone/tablet
 - Credit Karma
 - Credit Sesame
 - Mint

Credit Score Factors



Improving/Maintaining a Score

1. Pay bills on time
2. Keep balances low (less than 1/3 of available credit) and keep paying down balances
3. Apply for and open new accounts only as needed

Think like a Credit Expert



Scenario #1

“I don’t need to check my credit report because I pay all of my bills on time.”

Scenario #2

“I should never close a credit card because it will damage my credit.”

Scenario #3

“Who has the better credit score?”

	Maria	Andrew
Balance	\$900	\$10,000
Limit	\$1000	\$20,000

Scenario #3

“Who is better off financially?”

	Maria	Andrew
Balance	\$900	\$10,000
Limit	\$1000	\$20,000

Tips and Takeaways

1. Automate payments
2. Create a reminder to check your free credit reports each year
3. Don't overcomplicate credit

Questions?

Thank you!



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