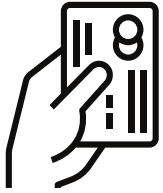


WHAT IS CREDIT?



Credit is the extent to which someone, usually a financial institution, is willing to loan you money for goods and services and trust that you will pay it back in the future.

Credit can be Secured or Unsecured. **Secured Credit** is where something of value is presented to the lender as collateral in case you default on the loan - such as a vehicle loan or mortgage. **Unsecured Credit** is a loan that does not have collateral securing it, if you stop paying there is nothing for the lender to take back - an example would be credit cards or student loans.

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TYPES OF CREDIT ACCOUNTS

Revolving Credit Credit Cards are the most common type of Revolving Credit. Cardholders are only required to pay back a minimum amount of their balance each payment cycle and the remaining balance is rolled over to the next billing cycle.

Installment Accounts Loans, including mortgages, auto, and personal loans, are installment accounts. Borrowers are required to make payments based off of predetermined factors such as term of loan, interest rate and balance of the loan.

Open Accounts Common open accounts are utility bills, internet, cable, and phone contracts. Open accounts typically do not charge interest and might not report to the credit bureaus unless the company reports late payments.

5 C'S OF CREDIT

- 1 **Character:** a lender's opinion of a borrower's general trustworthiness and credibility
- 2 **Capacity:** a borrower's ability to repay a loan
- 3 **Capital:** the amount of money invested
- 4 **Conditions:** to ensure loans are repaid financial institutions identify risks of lending
- 5 **Collateral:** guaranteed assets used to secure a loan

WHAT IS A CREDIT SCORE?

Credit Score is a number that summarizes your credit risk or worthiness based on your credit report at a particular point in time. Credit Scores range from 300 to 850, the higher the number the less valued risk.



WHAT'S IN YOUR CREDIT SCORE?

- 35% Payment History** lenders are concerned about whether you pay your bills on time
- 30% Amounts Owed** the amount of debt you have compared to your available credit is known as credit utilization; it is recommended to keep your credit utilization below 30%
- 15% Length of Credit History** a longer history of positive credit gives you a higher score
- 10% New Credit** people who open more credit accounts in a shorter time are viewed as riskier borrowers
- 10% Credit Mix** having different forms of credit accounts shows that you can manage different forms of credit

WHAT IS A CREDIT REPORT?



Credit report is a statement that has information about your credit activity and current credit situation such as loan paying history and the status of your credit accounts.

There are 3 Credit Bureaus that report on your credit report: **TransUnion, Experian, and Equifax.**

Credit reports contain:

- **Personal Identifying Information**

Your name, address, social security number, birthdate, employment information
These factors are not used in credit scoring - updates to this information come from information you supply to lenders

- **Credit Accounts**

Lenders report on each account you have established with them - *including type of account (credit card, auto loan, mortgage, etc.), the date you opened the account, credit limit or loan amount, account balance and payment history*

- **Public Records & Collections Items**

Liens, foreclosures, bankruptcies, civil suits and judgments, and past-due child support are all reported in your credit report.

- **Inquiries**

When you apply for a credit account, you authorize your lender to access your credit report. *The inquiries section lists everyone who has accessed your report.*

WHAT'S IN YOUR CREDIT REPORT?

WHAT'S NOT CONSIDERED FOR YOUR CREDIT SCORE?

Credit Scores consider a wide range of information on your credit report, but they do not consider:

- gender, age, sex, race or skin color
- religion or national origin
- marital status
- salary, occupation, title, employer or employment history
- where you live or rental agreements
- interest rates being charged on a particular credit card or account
- child/family support obligations

Credit scores do not factor any information that is not found in your credit report or information that is not proven to be predictive for future credit performance.

CONSEQUENCES OF POOR CREDIT

You may be denied credit or prevented from opening credit accounts.

If granted credit, you may pay very high interest rates.

You may have difficulty renting an apartment or denied a mortgage.

You can be denied employment due to poor credit history.

Graduate schools or higher education may reject your application for admission.

You may pay higher insurance premiums.

You may have to pay a deposit for utilities or other credit accounts.