



# Living Your Best Financial Life: Building and Rebuilding Your Credit



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# Outline

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- Credit Statistics
- Review of Credit and Credit Reports
- Simple Steps for Building and Rebuilding Credit
- Common Mistakes and How to Avoid Them



# Credit Statistics

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- As of March 31, 2017, total household indebtedness was \$12.73 trillion, a \$149 billion (1.2%) increase from the fourth quarter of 2016.
- Mortgage balances, the largest component of household debt, increased during the first quarter. Mortgage balances shown on consumer credit reports on March 31 stood at \$8.63 trillion, an increase of \$147 billion from the fourth quarter of 2016.
- Non-housing balances were mixed in the first quarter. Auto loans and student loan balances grew, by \$10 billion and \$34 billion respectively, while credit card balances declined by \$15 billion.

\*Source Federal Reserve bank of NY, Research and Statistics Group



# Credit Statistics

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## Student Loans, Credit Cards, and Auto Loans

- Outstanding student loan balances increased by \$34 billion, and stood at \$1.34 trillion as of March 31, 2017.
- 11.0% of aggregate student loan debt was 90+ days delinquent or in default in 2017 Q 1.2
- Auto loan balances increased by \$10 billion, continuing their 6-year trend. Auto loan delinquency rates were flat, with 3.8% of auto loan balances 90 or more days delinquent on March 31.
- Credit card balances declined by \$15 billion, to \$764 billion.
- Credit card 90+ day delinquency rates declined, and now stand at 7.5%.

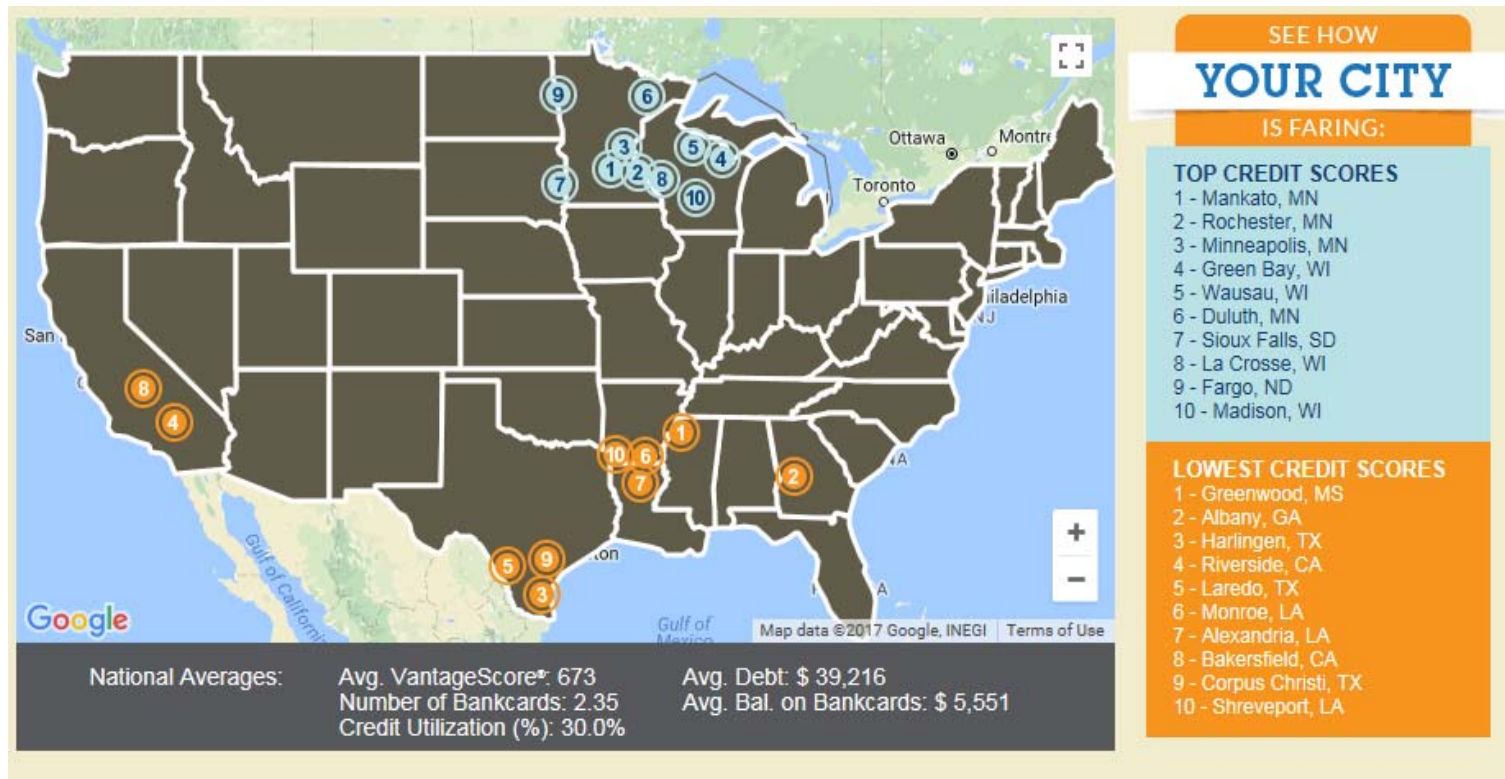
\*Source Federal Reserve bank of NY, Research and Statistics Group





# Credit Statistics

## Experian's State of Credit 2016



# Credit Statistics

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Credit reporting company Experian compiles averages credit scores for states from a sample of three million credit profiles, with scores range on a scale of 330 to 830.

The U.S. average is 687, with southern states typically reporting lower scores.



**Grow Your Credit Score!**

\*2011 study by Experian and Mortgage Marvel



# Your Credit Score

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- Everything you do with your credit accounts affects your credit score including your car and school loans
- Your score helps lenders determine your credit worthiness
- Employers, insurance companies, and landlords may check your score





# FICO Score vs VantageScore

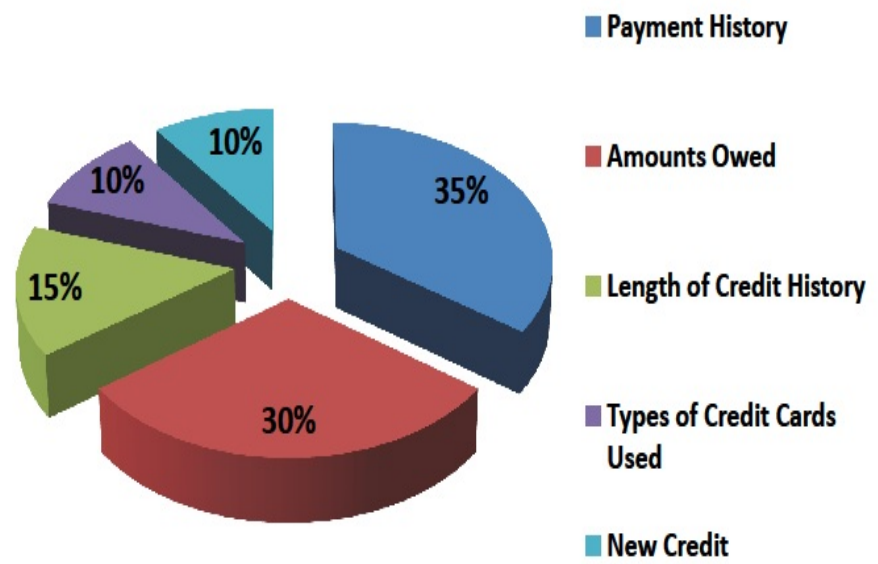
FICO Score	VantageScore
Range 300-850	Range 501-990
<p>No letter grades for FICO</p> <ul style="list-style-type: none"> <li>• 800+ = Exceptional</li> <li>• 740-799 = Very Good</li> <li>• 670-739 = Good</li> <li>• 580-669 = Fair</li> <li>• 579 and lower = Poor</li> </ul>	<p>Uses letter grades to spell out your credit history</p> <ul style="list-style-type: none"> <li>• 901-900 = A or Super Prime</li> <li>• 801-900 = B or Prime Plus</li> <li>• 701-800 = C or Prime</li> <li>• 601-700 = D or Non-Prime</li> <li>• 501-600 = F or High Risk</li> </ul>
Takes into account 5 components	Takes into account 6 components
Thin file consumers often cannot generate a credit score at all, or are scored with inflated, high scores because they have few credit actions on file	Claims to score thin file consumers more accurately by providing predicative scores for consumers with limited histories



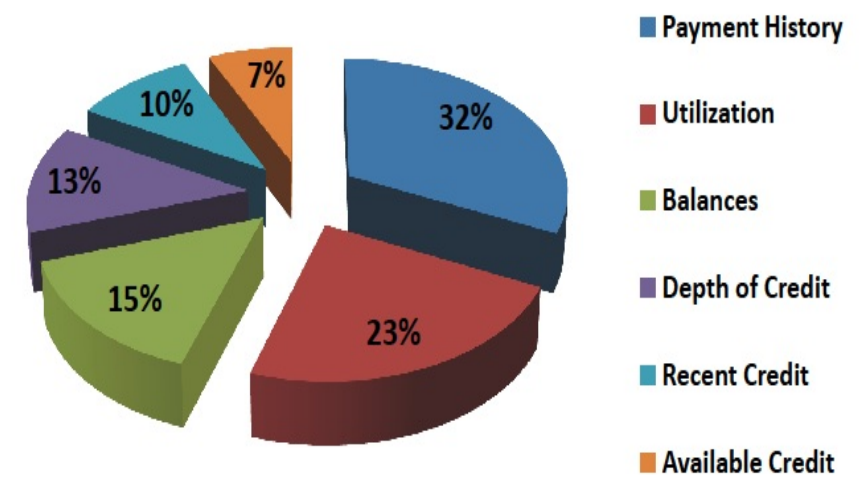


# FICO vs Vantage Score

## FICO Score Break-Down



## Vantage Score Break-Down





# How to Build a Strong Credit Score

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- Free credit report every 12 months from each of the three consumer credit reporting companies – but you must request it!
- Annual Credit Report
  - Online: [www.annualcreditreport.com](http://www.annualcreditreport.com)
  - Phone: 877-322-8228
  - Via mail – a form is required

*Does not include your FICO or Vantage scores!*



# How to Build a Strong Credit Score

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- You are also eligible for a free credit report if:
  - A company take adverse action against you (denying your application for credit, insurance, or employment) and you ask for your report within 60 days of receiving notice of the action
  - You are unemployed and plan to look for a job within 60 days
  - You are on welfare
  - Your reports is inaccurate because of fraud, including identity theft



# How to Build a Strong Credit Score

## Personal Identification

This is all the information that uniquely identifies you from another person who may have the same name.

## Public Records

These listings show any legal information that may affect your credit ranking.

## Collections

Any collection agencies assigned to recover outstanding debts will be listed here.

## Credit Accounts

Installment loan accounts will be listed here, such as school loans, auto loans and mortgages. Revolving credit amounts will also be listed. These may include credit cards, store cards and gas cards. This gives credit issuers information on payment history.

## Requested Credit Files

This is a list of any companies who have requested information on your credit history. On this example Equifax may have requested information in response to a credit application.

## Your Credit Report

Please address all future correspondence to:  
Credit Reporting Agency  
Business Address  
City, State 00000

### PERSONAL IDENTIFICATION INFORMATION

Your Name  
123 Current Address  
City, State 00000

SSN #: 123-45-6789  
Date of Birth: July 1, 1958  
Telephone Number: (555) 555-5555

### EMPLOYMENT DATE REPORTED

Employer Name: Employer 1  
Date Reported: 05/2004

Position: Job/Occupation  
Hired: 04/2004

### PUBLIC RECORD INFORMATION

Lien Filed 03/93; Fulton CTY; Case or Other ID Number-32114; Amount-\$26,667  
Class-State; Released 07/93; Verified 07/93

Bankruptcy Filed 12/92; Northern District Ct; Case or Other ID Number-673HC12;  
Liabilities-\$15,787; Personal; Individual; Discharged; Assets-\$780

Satisfied Judgment Filed 07/94; Fulton CTY; Case or Other ID Number-898872; Defendant-  
Consumer; Amount-\$8,984; Plaintiff-ABC Real Estate; Satisfied 03/95; Verified 05/95

### COLLECTION AGENCY ACCOUNT INFORMATION

Pro Coll (800)XXX-XXXX  
Collection Reported 05/07; Assigned 09/04 to Pro Coll (800)XXX-XXXX Client-ABC  
Hospital; Amount-\$978; Unpaid; Balance \$978; Date of Last Activity 09/04; Individual  
Account; Account Number 787652JC

### CREDIT ACCOUNT INFORMATION

COMPANY NAME	ACCOUNT NUMBER	WHOSE ACCT.	DATE OPENED	MONTHS REVIEWED	DATE OF LAST ACTIVITY	HIGH CREDIT	TERMS	BALANCE	PAST DUE	STATUS	DATE REPORTED
Department St.	32514	J	10/96	36	9/06	\$950	X	\$0	X	R1	10/08
Bank	1004735	A	11/96	24	5/08	\$750	X	\$0	X	I1	4/08
Oil Company	541125	A	6/96	12	3/08	\$500	X	\$0	X	O1	4/08
Auto Finance	529778	I	5/95	48	12/07	\$1100	\$50	\$300	\$200	IS	4/08

Previous Payment History: 3 Times 30 days late; 4 Times 60 days late; 2 Times 90+ days late  
Previous Status: 01/08 - I2; 02/08 - I3; 03/08 - 14

### COMPANIES THAT REQUESTED YOUR CREDIT FILE

09/06/08 Equifax-Disclosure 08/27/08 Department Store  
07/29/08 PRM Bankcard 07/03/08 AM Bankcard  
04/10/08 AR Department Store 12/31/07 Equifax-Disclosure ACIS 123456789







# How to Build a Strong Credit Score

ABC Bank	Date Opened	Date Closed	Type	Credit Limit/Credit Used	History
PO Box 1234 Ventura, CA 93003 Account 123456-90	Sep-06		REV	\$5,000/\$1,201	90, 60, 30, C, C, C,
				<b>Payment Due</b>	C, C, C, C, C, C, C,
				\$48	C, C, C, C, C, C, C,
<i>Currently 90 days late. Previous 30-day late in 04-08, 02-09</i>					

VCCU	Date Opened	Date Closed	Type	Credit Limit/Credit Used	History
6026 Telephone Road Ventura, CA 93003 Account 9876540-01	May-14		AUTO	\$25,963/\$15,102	C, C, C, C, C, C, C,
				<b>Payment Due</b>	C, C, C, C, C, C, C,
				\$324	C, C, C, C, C, C, C,

Discovery Stud. Loans	Date Opened	Date Closed	Type	Credit Limit/Credit Used	History
PO Box 1234 Seattle, WA 98101 Account 351296-5001	Sep-06		TERM	\$44,000/\$38,956	C, C, C, C, C, C, C,
				<b>Payment Due</b>	C, C, C, C, C, C, C,
				\$444	C, C, C, C, C, C, C,
<i>Previous 30-day late in 04-08, 02-09</i>					



# Negative Information

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- Negative information (missed payments, delinquent accounts, etc.)
  - 7 years
- Bankruptcy information
  - 10 years
- No time limit on reporting information about criminal convictions
- Information about a lawsuit or an unpaid judgment against you can be reported for seven years or until the statute of limitations runs out, whichever is longer
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# How to Build a Strong Credit Score

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- 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 for person with bad credit
- Pay library fines and parking tickets
- Pay child support and judgements



# How to Build a Strong Credit Score

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- Put utilities and rent in your name
- Apply for a secure loan/credit card, small loan or line of credit, department store, or gas card
  - Charge a small expense and pay off in full every month
- Use co-signer on first few credit accounts
- Offer large down payment to get loan
- Make sure creditors report to credit bureaus
- Budget, track expenses, save





# How to Build a Strong Credit Score

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## Secured Credit Cards or Loans

- Secured funds in an account – borrow against them
- As little as \$500
- Low interest rates
- Credit agencies see them the same way as unsecured

## Pulling our Equity

- Home or Vehicle
- Pay off higher interest rates
- Shows up as an additional line of credit



# How to Build a Strong Credit Score

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## Unsecured Credit Cards or Loans

- As little as \$500
- Ask for an increase after 9 months to a year
- Another positive line of credit

## Refinance Auto Loans

- After 9 months to 12 months
- On an auto – can significantly lower the rate
- Shows up as an additional line of credit
- *Please, do NOT do this with credit cards!*



# How to Build a Strong Credit Score

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## Good Debt v Bad Debt

### *Good Debt – Mortgage and Student Loans*

- *Tax benefits*
- *Lower interest rates*

### *Bad Debt – Everything else*



# Common Mistakes

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*Pay your bills on time, don't exceed the 25% revolving ratio, don't close old accounts, use credit, etc.*

- Applying for too many lines of credit over a short amount of time
- Moving debt around from one card to the next
- Not comparing rates (too afraid/lazy)
- Not reviewing credit history annually or semi-annually
- Taking on excessive debt or failing to properly budget
- Thinking that all credit agencies are the same





# Final Points

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- Understand that this takes time (12-24 months)
- Learn to manage bills slowly
- Build a budget
- Stop stressing and don't get discouraged
- Don't compare yourself to others
- Ask for help/advice
- **You have more power than you think**





# Resources

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## BALANCE – 1-888-456-2227

- Free “financial fitness”/credit counseling service for members of VCCU

## Budget Software

- Quicken
- Mint.com

## Ventura County Credit Union

- 805-477-4000
- 8 convenient locations open 6 days a week
  - Ventura, Oxnard, Riverpark, Port Hueneme, Camarillo, Thousand Oaks, Moorpark, Simi Valley



# Equifax Breach

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- Data of two in every five Americans were exposed affecting 143M people.
- “TrustedID Premier” credit monitoring for 12 months is free if you are affected.
- More than 30 lawsuits are currently pending and Equifax has lost \$4B in their stock value.
- To see if you are affected, please visit - **EquifaxSecurity2017.com**
  - Children, parents and anyone you care for



# Questions?

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# Thank you!

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## **Upcoming Presentation:**

November 7<sup>th</sup> – First-Time Home Buying

**Comment Card?**

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