



PACIFIC NW
FEDERAL CREDIT UNION

Credit

HOW TO BUILD AND MAINTAIN A
POSITIVE CREDIT SCORE

Why is credit important?

Credit is an important financial indicator that shows lenders your ability to repay debts.

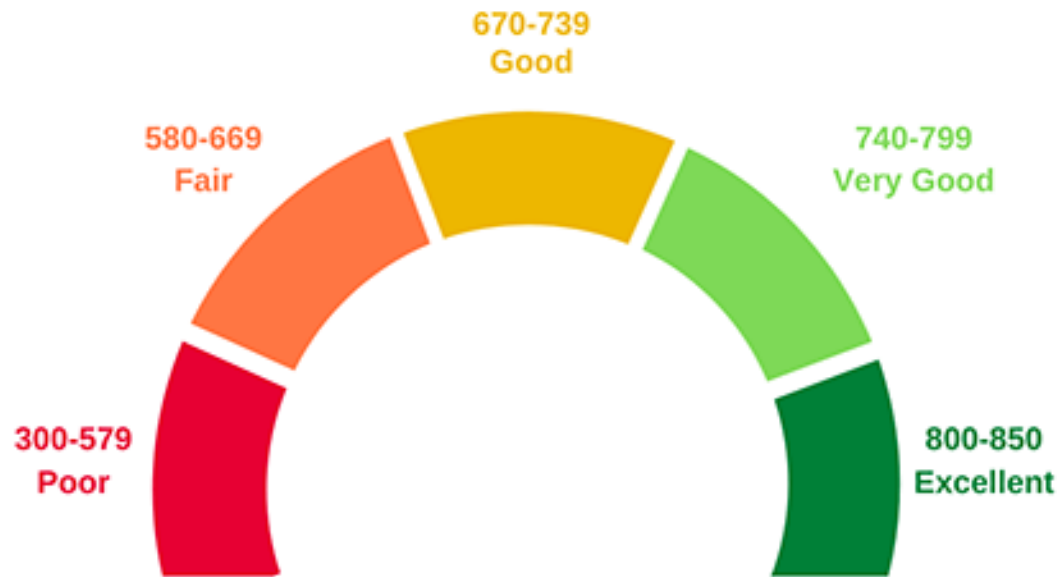
Your credit matters when applying for things like

- Credit cards
- Mortgages
- Auto loans
- Renting a home
- and more

Improving your credit score can help you qualify for better interest rates and loan terms.



What is a good credit score?



Each credit model uses different factors to assess your credit. A good credit score can vary depending on the model.

- FICO categorizes “good” scores as falling between 670 and 739
- VantageScore’s “good” scores range from 661 to 780

FICO and VantageScore credit score ranges go as high as 850.

How long does it take to build a good credit score?

Building credit takes time. You can typically expect to see your first credit scores appear somewhere between 3 and 6 months after you open your first credit account.



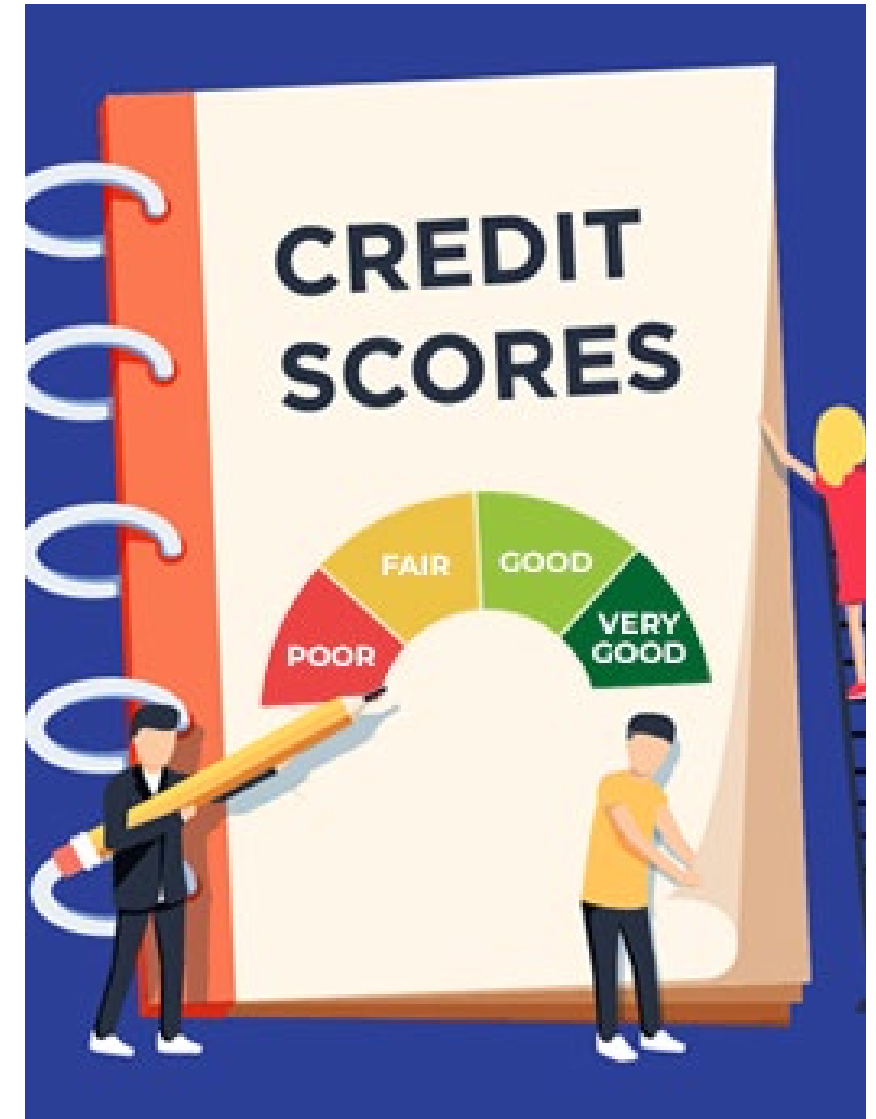
Understanding Credit Scores

Understanding what credit scores are and how they work can help you learn how to earn good credit in the future.

The following slide shows the factors in determining your credit score.

Your Credit Report Shows:

- Whether or not you've paid your debts on time
- How much you owe to creditors
- Unpaid loans, along with other factors



Credit Facts

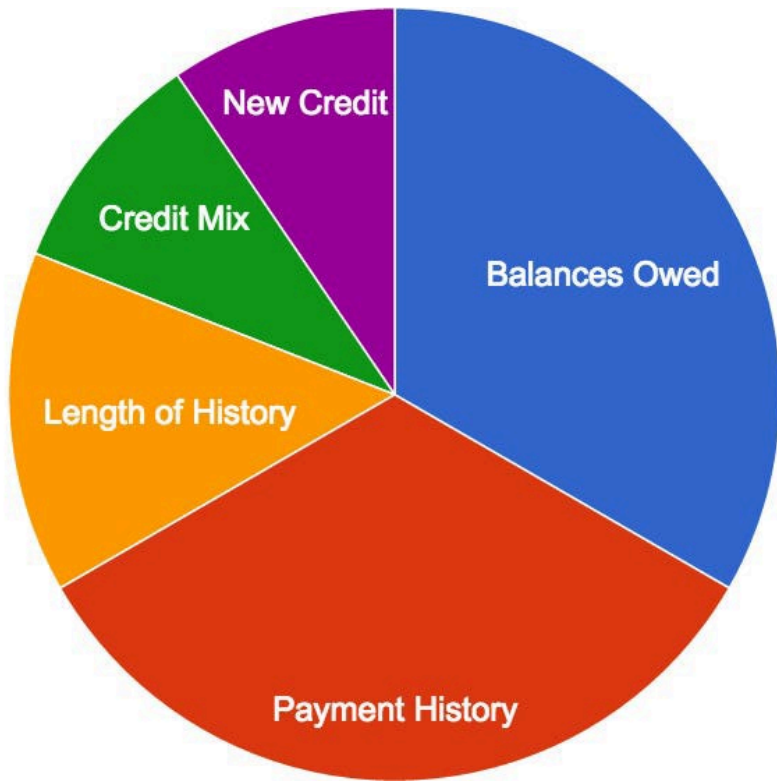
- Checking or pulling your own credit score or report does not hurt or lower your credit rating (self-inquiry)
- Credit inquiries made by companies checking your credit report to send you pre-approved offers do not count either (soft hit)
- If you accept an offer and the credit card company or lender pulls your credit report to do a more thorough credit check, it does count
- Each credit inquiry can lower your score by about 5 points
- Note: the FICO system counts multiple inquiries made in a 14-day period as one inquiry for large purchases (property or auto loans), so you can rate shop

Factors in Your Credit Score

Amount Owed	30%
New Credit	10%
Length of Credit History	15%
Types of Credit	10%
Payment History	35%

** All percentages are approximations. For certain groups, the importance of these categories may be different.*

Factors in Your Credit Score



- Your credit score takes into consideration all these categories, not just one or two
- It's impossible to say exactly how important any single factor impacts your score since they are different for everyone
- Different debt is “weighted” differently
Example: Revolving debt (ie. credit card debt) is weighted more heavily than mortgage debt



Payment History

The most important factor that impacts your credit score

- On-time payments on:
 - Credit cards, retail accounts, installment loans, finance company accounts, mortgages, auto loans, etc.
- Adverse (negative) public records:
 - Bankruptcy, judgments, suits, liens, wage attachments, collections, and/or delinquency (past due items)
- Amount and number of past due and delinquent accounts or collection items, as well as length of delinquency
- Time since there were items past due, adverse or any collections
- Number of accounts paid as agreed (in good standing)

Amounts Owed

- Number of accounts with balances
- Amount owed on accounts
- Portion of credit lines (debt-to-limit ratio)

Example:

\$300 debt on a credit card with
\$1,000 limit = 30% debt-to-limit
ratio



Length of Credit History



How long you've been using credit

- The date you opened your oldest account
- The date you opened your newest account
- Average age of all your accounts



Time since accounts were opened, by specific type of account



Time since account activity

New Credit



- Number of, and time since, recently opened accounts
 - As well as proportion of accounts that are recently opened
- Number of, and time since, recent inquiries
- Re-establishment of positive credit history following past payment problems

Types of Credit Used

- Mix and number of all credit accounts
- Score also considers how different types of credit accounts have been managed



Obtaining Your Report



Each of the 3 credit reporting agencies must provide you with a free copy of your credit report every 12 months, upon request.

Equifax ([equifax.com](https://www.equifax.com))

Experian ([experian.com](https://www.experian.com))

TransUnion ([transunion.com](https://www.transunion.com))



You can request a report for all three from a central website:

Annual Credit Report Request Service

- [Annualcreditreport.com](https://www.annualcreditreport.com)



Don't be misled by other websites – only give your info to trusted organizations



Improving Your Credit Score

Payment history

- Pay your bills on time

If you've missed payments

- Get current and stay current

If you're having trouble making payments:

- Contact your creditors
- See a legitimate credit counselor

Amounts owed

- Keep balances low
- Follow the 30% rule
 - Example: \$1000 limit card shouldn't have more than \$300 outstanding balance

Pay off debt rather than move it around

- This is the 2nd biggest factor impacting your score

Questions?



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