

CU Everywhere

BUILDING CREDIT FOR YOUR FUTURE

PRESENTED BY:
NUMERICA CREDIT UNION



WHY DOES GOOD CREDIT MATTER?

There are many ways a good credit score and credit report can help you reach your financial goals.

1. **You'll pay less when you need to borrow money.** If you need a loan to purchase a car or a home, a good credit score could save you thousands of dollars in interest over the life of that loan. For many loan products, interest rates are directly tied to your credit score, so the higher your score the lower your interest rate tends to be.
2. **You have a better chance of getting approved for a loan or credit card.** Lenders look more favorably on people with a solid credit history.
3. **More credit will be available to you.** Credit can be a powerful tool to purchase homes, businesses, and rental properties.
4. **Easier approval for accessing housing.** Most landlords use a tenant's credit score as part of their screening process, preferring tenants with a higher credit score.
5. **More affordable auto, homeowner's, or renter's insurance.** In many states, insurers use your credit information to determine your insurance rates. The higher your score, the less you tend to pay each month.
6. **It can help you start a business.** For most small business owners, personal finances impact the ability to get financing for their business — including their personal credit score and credit report.

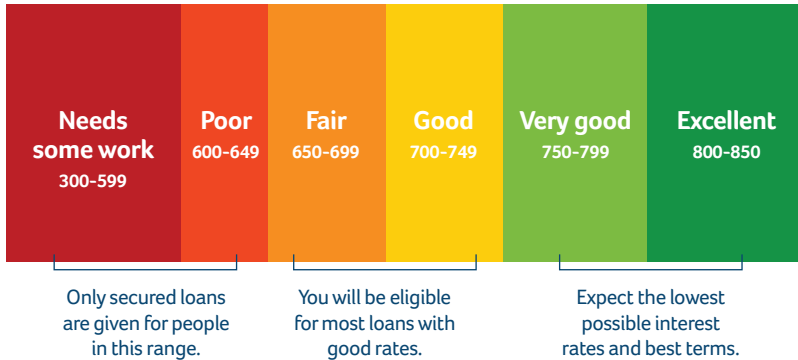
Life will become more affordable. Plain and simple, a good credit score makes life less expensive.

QUESTIONS TO GET STARTED

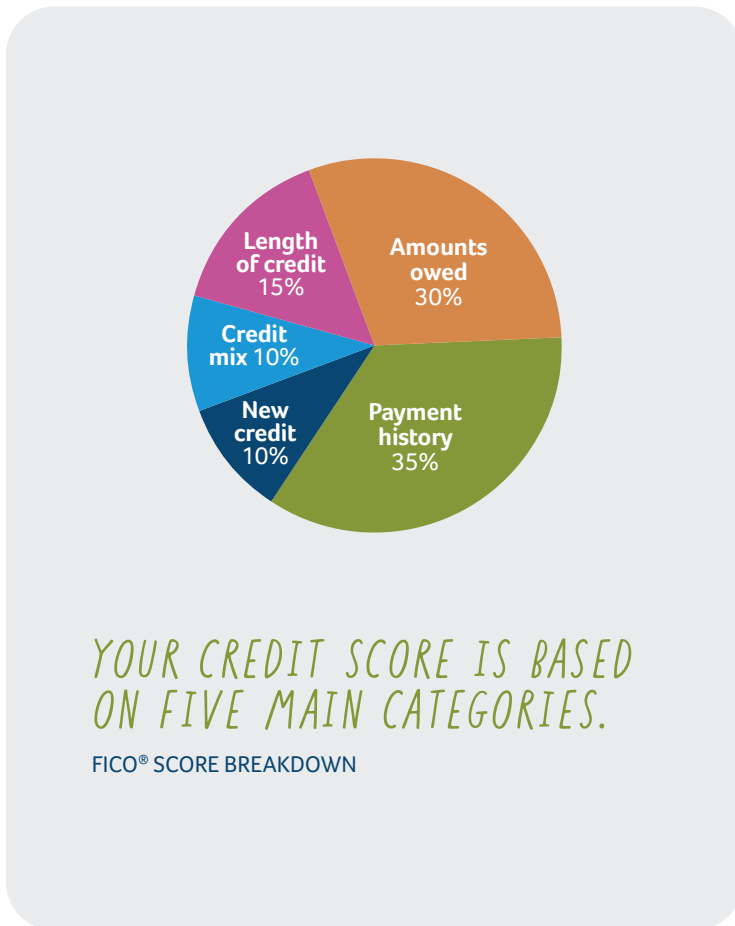
- What will I need to borrow money for in the future?
- What advice have I heard about how to build my credit?
- When did I last access my credit reports or check on my score?
- How do we talk about credit in our family?
- How do I feel when I think about credit?



CREDIT SCORES



Credit can be a powerful tool when you use it responsibly.




Your credit score is an element of your financial reputation. When it comes to credit, the higher your score, the more likely a lender will be to trust you if you need to borrow money. A higher score also usually results in a lower interest rate when you need to borrow money.

The FICO and VantageScore credit scores are the most common scores used by lenders, but each has multiple versions. Here are some things to keep in mind:

- Tools like Credit Karma are for educational purposes only. Your actual score could be higher or lower than what it shows.
- Our credit counselors can help you understand the nuances between credit score models. You can connect with one by calling 855.400.3710.

Did you know your credit score could vary so much? Is there anything about this that surprises you?

1. PAYMENT HISTORY

 Credit Score	Keep your accounts in good standing and your credit score will increase over time.
Payment history	
Amounts owed	
Credit mix	
Length of credit	
New credit	

Your payment history makes up 35% of your credit score! Paying all of your credit accounts on time will help build your credit. Paying your rent may help improve your credit score, ask your landlord if they report on time rent payments. Paying other bills like your utilities on time doesn't improve your credit score, but missing payments can hurt your credit, so stay on top of those bills, too.

Having one reported late payment could drop your score by as much as 100 points. It can take up to three years to regain those points, and the missed payment stays on your credit report for seven years.

Negative items on your credit report (late payments, collections, bankruptcy, etc.) can stay on your credit report for seven to 10 years.


The impact of these negative items on your credit score diminishes over time.

WHAT IF I FALL BEHIND ON MY BILLS?

If you can't make an upcoming payment, reach out to your creditor immediately, especially if you are a member at Numerica! Share your circumstances, and work with them to come up with a plan to stay on time and avoid reported late payments. Many creditors are willing to work with you if you communicate with them. We also have financial counselors who can help with your budget and credit. Connect with them by calling 855.400.3710 or visiting our website at numericacu.com/learn/financial-counseling.

If you already have items in collections, contact the collection agency to confirm it has accurate information about your debt. You may want to work with them on a settlement and payment plan, but only begin making payments if you can afford them.

2. AMOUNTS OWED

 Credit Score	
Payment history	How much you owe on all your credit accounts.
Amounts owed	The amount you owe on different types of accounts.
Credit mix	How many credit accounts have balances.
Length of credit	Your credit utilization ratio on revolving accounts.
New credit	How much you owe on your loans compared to the original loan amount.


The amounts you owe make up 30% of your credit score. This score considers five factors.

1. How much you owe on all your credit accounts.
2. The amount you owe on different types of accounts.
3. The number of accounts with balances.
4. The reported balance of your credit card compared to your limit.
5. How much you owe on your loans compared to the original loan amount.

Of these five, it is most important to focus on keeping your credit card balances low. Paying off your cards before the end of the month will help build your score.

Besides the impact to your credit score, credit card debt can affect your physical and mental health.

3. CREDIT MIX

 Credit Score	
Payment history	
Amounts owed	
Credit mix	Having revolving and installment credit is the ideal mix.
Length of credit	
New credit	

Your credit score is based off your mix of revolving accounts (like credit cards, store cards, etc.) and installment loans (like auto loans, student loans, or a mortgage). Your credit mix determines 10% of your credit score.

Remember, it's not necessary to have one of each, and it's not recommended to open credit accounts you don't need or intend to use. One revolving account and one installment loan is all you need to build a solid credit score.

BUSTING SOME CREDIT MYTHS

There are some big myths you want to avoid as you build your credit:

1. **Checking my credit score lowers it.** False! Checking on your score is a soft inquiry, which has no impact on your score.
2. **Carrying a balance on my credit card boosts my credit score.** No way! Pay those balances off each month.
3. **I only have one credit score.** Not true! While the FICO score is the most common credit score, there are many credit scores a lender may use, and each may impact your situation differently. When applying for a loan, ask which score will be used.

4. LENGTH OF CREDIT

✔ Credit Score	
Payment history	
Amounts owed	
Credit mix	
Length of credit	This factor looks at the average age of all your credit accounts. The longer you've had them, the better.
New credit	

Length of credit determines 15% of your credit score. It factors how long you've had your credit accounts, on average. You can determine this by adding together the length of time you have had each account. Then, divide by the total number of accounts. Our tip is to only close old accounts when you need to!

CREDIT ACCOUNTS	AGE
Credit card	5 years
Auto loan	2 years
Average age	3 years, 6 months

5. NEW CREDIT

✔ Credit Score	
Payment history	
Amounts owed	
Credit mix	
Length of credit	
New credit	This factor looks at how much new credit you've applied for.

When you apply for new credit, a lender will perform a "hard credit inquiry," accessing your full credit score and report. Each hard credit inquiry has a slight negative impact to your credit score for 12 months. Landlords will also often do a hard credit inquiry as part of a rental application. Soft credit inquiries from tools like Credit Karma do not impact your credit score.

Opening several credit accounts in a short period of time represents a greater risk — especially for people who don't have a long credit history.

The longer the time in between inquiries, the less impact the credit checks will have on your score.

Keep it simple. One to two credit accounts is a great way to build credit. Limiting the number of accounts you have helps keep your debt manageable — and it can help your credit score.

TOOLS TO BOOST YOUR CREDIT

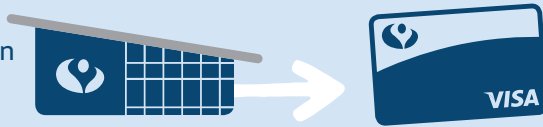


If you've never utilized credit before, don't have a credit score, or need to rebuild your credit, one of the best tools available to you is a secured credit card.

USING A SECURED VISA

Numerica offers a Secured Visa as an accessible way to build or rebuild your credit. This type of Visa uses your own money to secure your credit card. When used responsibly, it can help you build up a solid credit history and credit score. Here's how to make a Secured Visa work for you.

Visit your local Numerica Credit Union branch or apply at numericacu.com.



Talk to us about opening a Secured Visa Card. Secured Visa Cards require a deposit, which typically equals your credit limit; often \$250-500. That money will be held in a savings account as collateral until your credit has been established, normally about six months to a year. **You will get this money back once your credit is built.**

As your credit score increases, you may have more options to access additional credit. This will help you when it's time to buy a car, a house, and grow your financial future.



Pick one recurring expense, such as your Netflix subscription, to charge to your card.

Watch your credit score increase as you make your on-time payments. You'll normally see your score increase within six months.



Using your Numerica Mobile App, set up an automatic payment to your credit card to pay off the balance in full each month.

YOUR CREDIT REPORT

Checking your credit report is an important part of your financial health. It's estimated 1 in 5 Americans have a mistake on their credit report. Errors could make a big difference in your credit score, impacting your ability to access lending when you need it.

You can check your credit reports from each credit bureau (Experian, Equifax, and TransUnion) for free once per year at annualcreditreport.com.

Annual Credit Report.com

The only source for your free credit reports. Authorized by Federal law.

A credit report is a detailed statement about your current and past credit use, **including** open and closed accounts and your track record for handling credit.

CREDIT REPORT DISPUTES

If you find errors on your credit reports, you should dispute them immediately with each credit reporting company — Equifax, Experian, or TransUnion. You'll need to provide documentation validating the error, and the dispute process can normally be resolved in about 30 days. The fastest way to file a dispute is online with each credit bureau:

- **Experian:** experian.com/disputes
- **Equifax:** equifax.com/disputes
- **TransUnion:** transunion.com/disputes

You'll establish an online account with each credit bureau and be able to upload documentation securely for your dispute.

LATE PAYMENTS

A loan or credit card payment is normally reported on your credit report if you make your payment 30 days or later past your due date. This means you may be able to avoid a reported late payment even if you pay after your due date. If you think you may be late on your payment, contact your lender ASAP and communicate about your situation. The lender may be willing to work with you to arrange a plan or provide flexibility. If you already have late payments on your credit report, there are a few things you should know:

- Late payments stay on your credit report for up to seven years from the date it was reported late.
- Late payments each have their own reporting period, so a string of late payments can be really damaging to your credit score.

It is far more important to communicate with lenders before your account becomes late rather than try to resolve credit challenges later. Communicate early and often.

DEBT IN COLLECTIONS OR CHARGED-OFF ACCOUNTS

Debt sent to collections or charged off can have a massive impact on your credit. Each collection or charged-off-account situation is unique, but here are some common steps you can follow if you have debt in collections:

- 1. Get as much information as you can.** Contact the collection agency or lender and request a debt verification letter. Examine the details, including the age, amount, history of the debt, and info for the collector. Keep track of all correspondence with the collector in writing. You may need that information later, especially if you dispute any information.
- 2. Remember you are in charge.** Dealing with collectors can be stressful, and they may use intimidation as a tool to coerce you toward payment. The Fair Debt Collections Practices Act regulates what collectors can and cannot do. They cannot call at unreasonable hours or threaten you, and you can choose how you want to correspond with them — phone, email, etc.
- 3. Choose how to handle the collection or charged-off account:** If you choose to tackle the collection or charged-off account, which we recommend, you have options. You can pay them off or dispute the information if you have a valid reason. If you choose to pay the collection or charged-off account, you can **create a payment plan, pay it off in one lump sum, or settle the debt for less than you owe.** Here's what each entails:
 - **A payment plan** involves setting up regular recurring payments you make until the balance is paid off. Don't begin making payments until you have written confirmation from your collector/lender of the payment plan and how it will be reported when it is paid.
 - **Paying a collection off in one lump sum** involves making a single payment to satisfy the collector. Only agree to a lump sum payment you can afford. You don't want to take on additional debt because you overextended yourself
 - **Settling the debt for less than you owe** involves negotiating how much you'll pay toward the debt. If you pursue this option, it will state on your credit report "settled for less than amount owed" when the debt is paid off. This could be a red flag to future lenders, but it is better than doing nothing. It does not have a negative impact on your credit score to settle a collection or charged-off account.

A few things to keep in mind regarding paying off collections and charged-off accounts.

- **Paying a delinquent debt off may not improve your credit score.** It depends on the scoring model and type of collection. The FICO scoring model has multiple versions, and each handles paid collections differently, especially medical collections.
- **Depending on the credit score model, paying it off may not remove it from your credit report.** Only the newest FICO credit score models ignore paid collections — effectively removing them from your credit report. Ask any lender you're working with what FICO model they utilize before working on paying collections. It may still be a benefit to pay off the collection so a lender can see you've dealt with it.
- **Most paid medical collections should be removed from your report:** As of July 1, 2022, all paid medical collections should be removed from credit reports. If you have any paid medical collections showing on your credit report, you'll want to file a dispute to have it removed. Additionally, medical collections less than \$500 should not be on your credit report.

If you choose to dispute the collection, you'll want to have verification that some of the collection information is inaccurate (amount of the debt, dates pertaining to the debt, etc.). Without verification, a dispute process may not end up removing the collection.

HOW TO HANDLE BRUISED CREDIT



REBUILDING CREDIT

If you need to rebuild your credit because of late payments, bankruptcy, or charged-off accounts, remember it will take time. And it will be important to manage your credit well moving into the future. The most important thing you can do is not access too much credit too quickly.

OK, you've learned a lot. As you move forward, here are a few of the building blocks that will be important to keep in mind:

- Get into the habit of checking on your credit reports regularly at annualcreditreport.com. Make sure information is accurate and dispute inaccurate info.
- Begin to slowly access credit accounts to build positive payment and credit history. A savings-secured loan and a secured credit card are a great combo to get access to low-risk credit.
- Stay on top of all of your bills, including your credit (loans, credit cards, etc.) and non-credit accounts (rent, utilities, cell phone, etc.).
- Be patient. Time is one of your best friends when rebuilding your credit. The impact of negative items, like late payments, diminishes with time.

WRAP UP AND NEXT STEPS

If you need specific guidance on how to improve your credit score and clean up your credit report, our team members can help! You can connect with us by calling 800.433.1837, request a call from us at numericacu.com, or visit one of our branches.

We have also partnered with GreenPath Financial Wellness to offer individual credit counseling for our members. You can connect with a GreenPath-certified credit coach by calling 855.400.3710.

Learn more at numericacu.com/learn/financial-counseling.

A credit counselor can help you:

- Establish a plan to build credit for the long haul.
- Prepare your credit for an upcoming major purchase, like buying a car, RV, or home.
- Work through credit challenges like collections, garnishments, late payments, charged-off accounts, and more.
- Develop a debt management plan to pay off your high-interest debt and improve your monthly cash flow.



Whether you're connecting with an expert or simply putting these credit tips to work for you, well done! At Numerica, we're all about your financial well-being. Please know we'll be cheering on your next steps!