Seminar Objectives

Learn:
- Who needs to build good credit and why
- Significance of credit report and score
- How to establish credit if you don’t have any
- How to rebuild a good credit history
- Tips for using credit wisely
- Pitfalls that cost you plenty
Why Build **Good Credit**

Implements your:

- Image in eyes of lenders
- Ability to get credit
- Loans, apartment, insurance, credit cards, job
- Chances of getting lower interest rates on loans and other forms of credit
Who Needs to Build Good Credit

- High School Grads, College Students
- Young Adults
- Recent immigrants
- People who need to get “back on track”
What is in a Credit Report?

- Identifying information (name, SSN, date of birth, address)
- Employment history
- Creditors and payment history
- Bankruptcies, judgements, liens, lawsuits
- Inquiries you initiated (loan and credit applications, but not credit card solicitations)
Who Can Look at Your Credit Report?

- Lenders
- Landlords
- Potential Employers
- Insurance Companies
How to Obtain **Your Credit Report**

- Annualcreditreport.com (FACT Act)
- Mail request letter
- Call 877-322-8228

- Or, order through “Big 3” credit bureaus:
  - Equifax 800-685-1111
  - Experian 888-397-3742
  - TransUnion 800-888-4213
If Your Credit Report has Errors

The law entitles you to correct mistakes:

- Write to credit bureau
- Bureau has 30 days to investigate, notify you of results, and delete inaccurate information
- Disagree? Write dispute statement for your file
What’s a **Credit Score?**

- Number that represents creditworthiness
  - The higher the number, the better
  - Changes over time, depending on payment history
- Answers the question, “How likely are you to repay the loan?”
- Range:
  - **FICO®** – 300 to 850
  - Order your score from “Big 3” or [myfico.com](http://myfico.com)
Components of FICO Credit Score

- Payment history (35% of score)
  - Do you pay bills on time?
- Amounts owed to creditors (30%)
  - Do you owe a lot of money to a lot of people?
- Length of credit history (15%)
  - How established is your credit history?
- New credit (10%)
  - Are you increasing your debt obligations?
- Types of credit currently in use (10%)
  - Do you have a “healthy mix”?
Tips to Build A Strong Credit Score

- 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 if other person has bad credit
- Pay your library fines
Don’t Have a Credit History- Start Small!

- Open share draft & share savings accounts at credit union
- Put utilities and rent in your name; pay on time
- Apply for small loan or line of credit from credit union; charge and pay on time
- Apply for department store or gas card; pay off monthly
More Ways to Establish a Credit History

- Use co-signer on first few credit accounts
- Offer large down payment to get loan
- Get a secured credit card from credit union
- Make sure creditors report to credit bureaus
- Budget, track expenses, and save
How to Rebuild a Good Credit History

- Order credit report; correct errors
- Pay all bills on time
- Pay down debt (consider consolidation loan)
- Establish emergency fund as backup
- Apply for small line of credit; pay on time
- Apply for secured credit card
- Get automated bill-pay and direct deposit
- Get help from Credit Union or local Consumer Credit Counseling Service (CCCS)
Tips for Using Credit Wisely

- Charge small amounts; pay on time
- Pay in full, or more than minimum
- Avoid minimum payment trap
- Don’t max out cards
- Avoid late and over-the-limit fees
- Avoid cash advances
- Don’t open flurry of new accounts
Warning Signs You Have **Too Much Debt**

- Only make minimum payments
- At or near credit limit on cards
- Don’t know how much you owe
- Use cash advances to pay other bills
- Denied credit, or denied credit purchase
- Get calls from collection agencies
- Lie to spouse or family about spending
- More of total income going toward debts
Beware the Pitfalls

- Credit repair clinics
- Rent-to-own
- Payday loans
- Pawn shops
- High-interest debt consolidations

(continued)
More Pitfalls

- Debt settlement
- Temptation from credit offers
  - To get off most solicitation lists …
    Call 888-5opt-out;
    Visit optoutprescreen.com
- ID theft, phishing, vishing, and pharming
- Home equity scams
- Bankruptcy “sting” on credit report
Checklist! Are You Ready?

- I have the basics in place: budget, tracking system, emergency fund.
- I plan to pay all bills on time.
- I plan to get my credit report and correct errors.
- I plan to take steps to increase my credit score.
- I plan to keep my utilization ratio below 25%.
- I plan to pay down debt.
- I understand the potential pitfalls.
FINANCIAL ADVISORS

Scottie Dowdy, MBA
(919) 660-9745
scottie.dowdy@duke.edu

Cassandra Taylor
(919) 660-9743
c.taylor@duke.edu