



CreditAbility:
Build a Strong Credit History

Scottie Dowdy, MBA
Financial Advisor

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**

Improves 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**

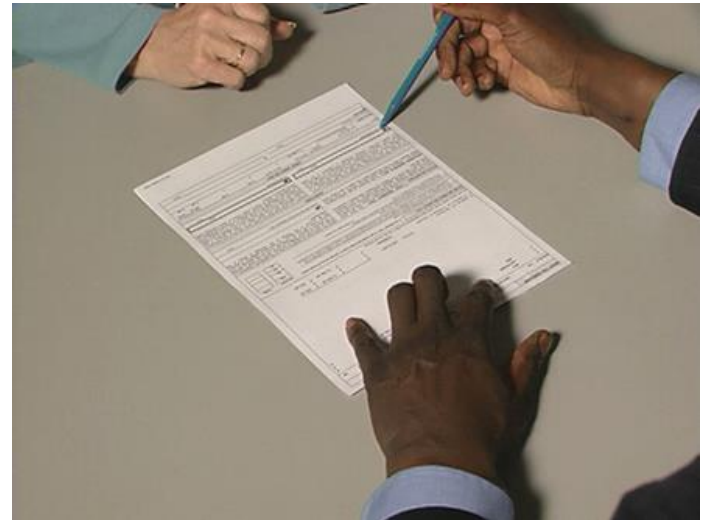
- **High School Grads, College Students**
- **Young Adults**
- **Recent immigrants**
- **People who need to get “back on track”**

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:

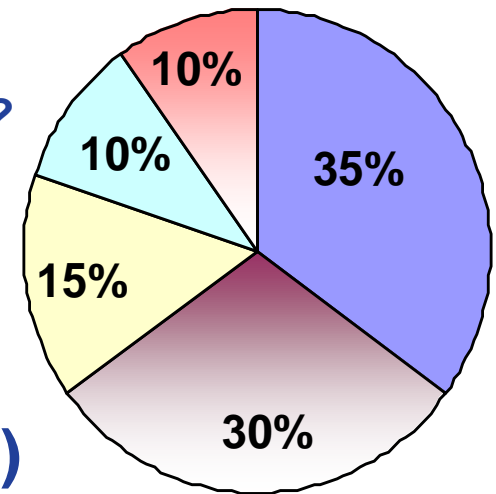
- Write to credit bureau
- Bureau has 30 days to investigate, notify you of results, and delete inaccurate information
- Disagree? Write dispute statement for your file

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***

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.

Contact Us

FINANCIAL ADVISORS

Scottie Dowdy, MBA

(919) 660-9745

scottie.dowdy@duke.edu

Cassandra Taylor

(919) 660-9743

c.taylor@duke.edu

