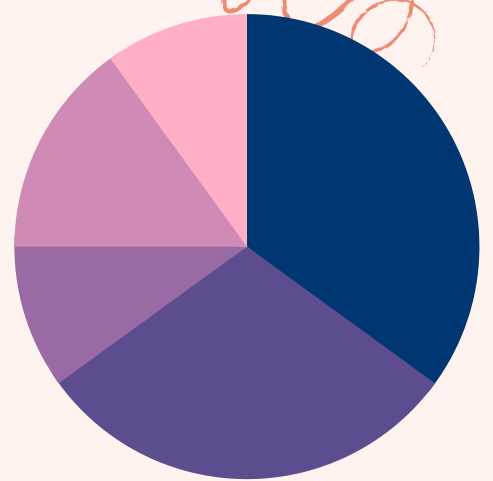


CREDIT

This month's editions focuses on credit scores and credit cards.

CREDIT SCORE

A number assigned to a person that indicates to lenders their capacity to repay a loan



Credit Score Breakdown Pie Chart

***Utilization** ratio is used in the calculation of credit scores. It compares the amount of credit being used to the total credit available to the borrower.

A **credit inquiry is created when a lender pulls someone's credit record. It creates a record in a credit report of each time the borrower, a lender or a potential lender obtains a copy of the consumer's credit report.

Data information comes SEFCU program - Surviving the New Economy (11/11/2009)

- Paying on time: **35%**
- Utilization ratio*: **30%**
- Length of time you have your mortgage, credit score, or installment payments: **15%**
- Inquiries about your credit**: **10 %**
- Type of credit: **10%**

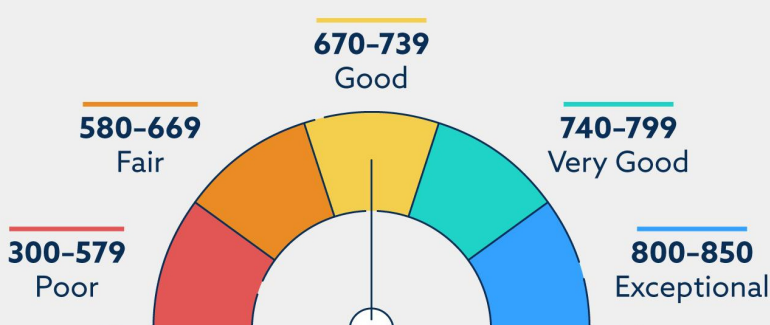
Credit score is a number used by lenders to determine your creditworthiness. This is a way for lenders to know whether or not they will have luck borrowing money to you. The score is a relatively accurate approximation of how likely you are to pay back the money that you owe.

When your score is too low, you'll have fewer options for receiving loans. Additionally, those options will include higher interest rates, fewer perks, and they're often predatory.

High Credit Score

Gain access to financial options that are easiest to pay back and save the money on interest and fees.

FICO Credit Score Ranges



Source: FICO

Credit scores can range from 300 to 850.

CREDIT

How to build credit

HOW TO BUILD CREDIT WITH A CREDIT CARD

1. Open your first credit card account
2. Get a secured credit card
3. Become an authorized user
4. Request a credit limit increase

HOW TO BUILD CREDIT WITHOUT A CREDIT CARD

1. Pay all your existing loans diligently
2. Installment loans can give your scores a lift
3. Nonprofit lending circles
4. Have your monthly bills added to your credit report

HOW TO ESTABLISH CREDIT WHEN YOU HAVE NO CREDIT HISTORY

1. Ask someone with established and good credit to help you get a loan or to add you as an authorized user to one of their existing credit card accounts
2. Apply for a credit account that is tailored for people that are new to credit
3. Use [Experian Go](#) to create an Experian credit report (even if you do not have any credit accounts).

TYPES OF CREDIT

1. **Revolving Credit:** Revolving credit accounts have a set credit limit that you can draw upon, pay back, and draw upon again. Credit cards are the most popular forms of revolving credits, followed by lines of credit.
2. **Installment Credit:** Installment credit is debt you borrow and pay back in fixed monthly installments. This includes personal loans, student loans, auto loans and mortgages.
3. **Service Credit:** Service credit is the type of account you have with anyone who provides a service and bills you monthly. Your utility and cellphone bills are examples of service credit accounts.

CREDIT

Understanding credit cards

CREDIT CARD INTEREST

Interest is a fee that's calculated as a percentage of the amount you carry over.

Credit cards typically charge high interest rates compared to most auto loans or home mortgages, or the interest that banks and credit unions pay for savings and interest-bearing checking accounts.

CREDIT CARD'S APR

Your card issuer will charge you interest for *every day* you carry a balance. Although the amount accumulates daily, it's typically expressed as an annualized percentage rate (APR).

The APR should be an important factor when you apply for a card if you plan to carry a balance. If you don't plan to carry a balance, the APR may not be important.

ADDITIONAL CREDIT CARD FEES

- **Annual Fee:** Your card issuer may charge you this fee every year to keep your card active. Cards that charge a higher annual fee usually offer more perks and better rewards; however, many good cards have no annual fee. Some card issuers will waive an annual fee for the first year to encourage you to apply for that card.
- **Foreign Transaction Fee:** This type of fee may be added to your transactions when you use your card in a foreign country. The fee is separate from the currency exchange rate that converts your foreign purchase into U.S. dollars. Fees of 3% are common, but many cards don't charge foreign transaction fees.
- **Processing Fees:** Restaurants, hotels, and other merchants pay processing fees to your card company when you use your card to pay for purchases. Though you don't pay these fees directly, they are built into the prices of most goods and services.
- **Cash Advance Fee:** You'll typically have to pay a cash advance fee if you use your card to get cash other than a cash back reward.
- **Late Payment Fee:** You may be charged this fee if you don't make your payment until after your grace period ends. This fee may be charged in addition to a higher APR. If you normally pay on time but make one late payment, it's worth calling your card issuer to ask to have this fee reversed.