Understanding Credit

Presented By:

Allegheny County Financial Empowerment Center

Allegheny County Financial Empowerment Center

Free One-on-One Financial Counseling

What We Do Best

We provide free financial counseling as a public service to the residents of Alleghney County who are 18+
Professionally trained counselors work with you for as long as it takes to reach your financial goals.

During counseling, we focus on the 5 big topics of finance

Our Collective expertise can prepare you for life’s goals

- Paying down student loans
- applying for benefits and accessing other resources
- Preparing for homeownership
- Getting ready to open a small business
- Getting finances ready to invest

EVERYONE IS WELCOME

What is credit?

CREDIT IS:

- Established so you can buy large purchases
- Created over your adult life
- Good credit can help you with lower interest
- Sometimes needed to help you get an apartment or job
- Credit report should be reviewed annually

CREDIT IS NOT:

- “Extra” or “Free” money
- Something no one needs
- Inaccessible
- Too complicated to understand

Your Credit Report

CONTAINS:

- Personal Information
  - Name, DOB, addresses
- Credit History-
  - most accounts, open dates, balances, terms, etc.
- Inquires
  - who looked at your credit
- Public records-
  - bankruptcies, past due child support, collections, etc

A credit report **does not include information about your checking or savings accounts, evictions, bankruptcies that are more than 10 years old, tax liens or judgments (as of summer 2018) , charged-off or debts placed for collection that are more than seven years old, information pertaining to a person's sex (gender), ethnicity, religion, political affiliation, medical history, or criminal records.

Your Credit Report

All 3 bureaus report differently, collect different info & use different algorithms. No bureau is "better" than another. Most lenders will pull a tri-merge credit report

The credit score is generated by information on the credit report, but the credit scoring function is not part of the bureau information.

Mortgages, Installment loans (auto, home, personal) revolving credit (credit cards) collections accounts can all be found on your credit report

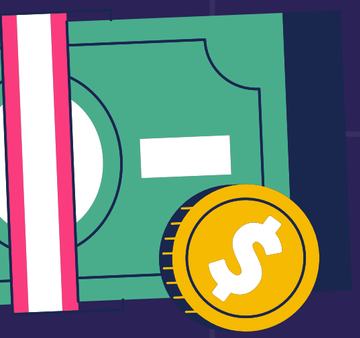
Utilities, rent and most items bought using the money straight from your checking account will not be found on your credit report.

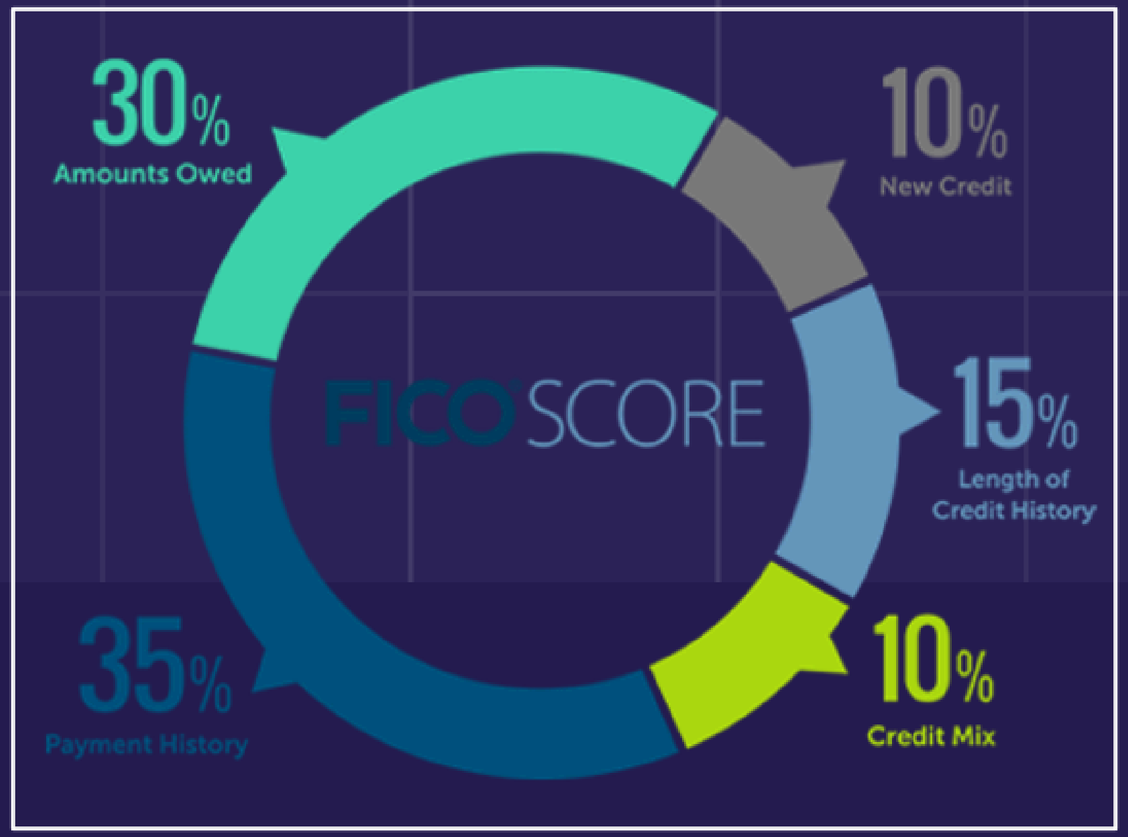
Are you “Credit Invisible”?

- Roughly 26 million Americans (or 1 in 10 adults) are
- By Definition, they have no credit histories with the 3 credit bureaus, Equifax, TransUnion or Experian
- Being “invisible” makes it very hard to rent an apartment, get insurance, or make large credit-based purchases (Ex; a house or car)
- There is a right and wrong way to establish credit
  - Some methods can keep you from getting into debt
  - The FEC can help you navigate these options.

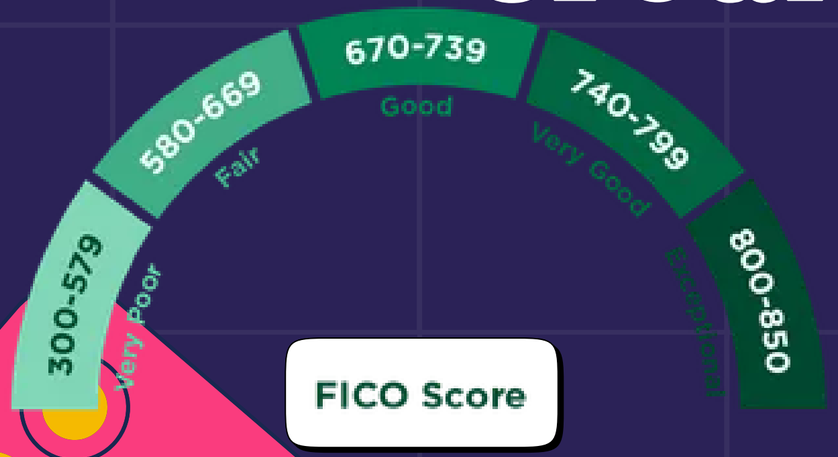
Improve your Score

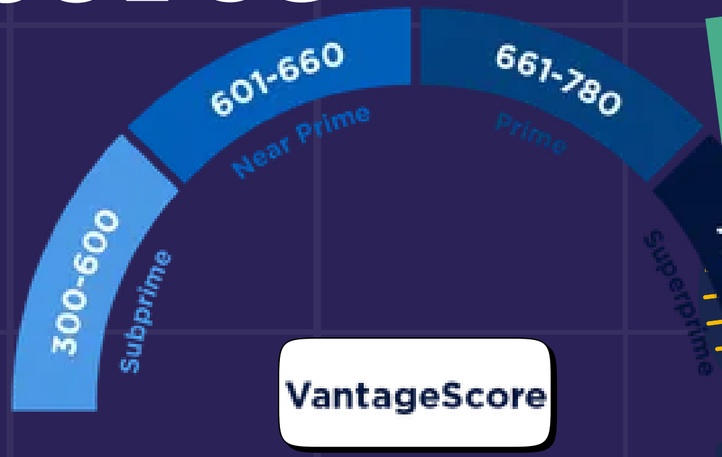
Know the 5 factors of FICO
Paying bills on time is the best thing you can do.
Do NOT pay anyone to "fix" your credit. It’s a scam
30% rule
Avoid applying for multiple new accounts in a short time period
Don’t close unused credit cards

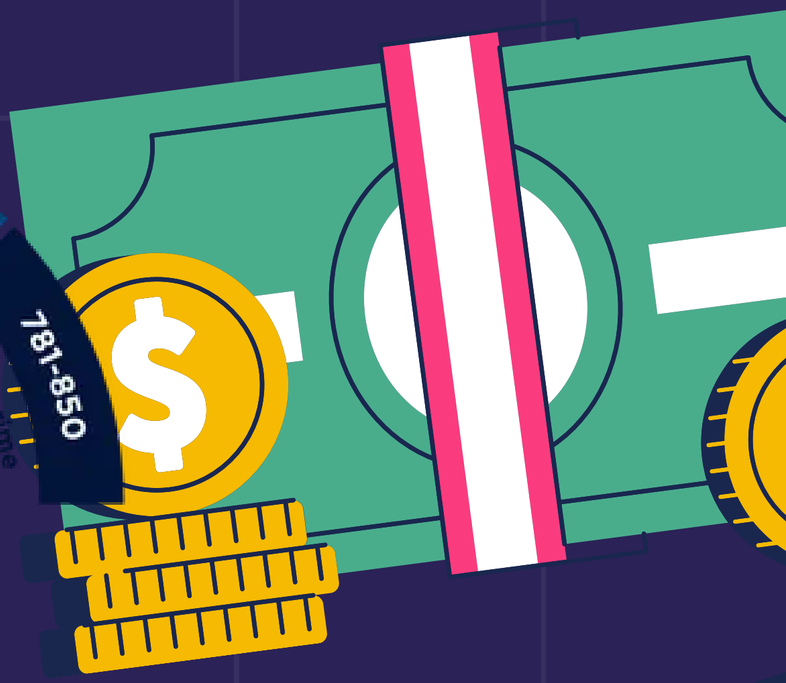




Credit scores







Credit Scoring is a confusing system. It is best to have the help of a financial counselor to walk you through it. Some of these nuances are:

- 3 different credit bureaus that have 3 different scores
- 2 different scoring systems
- Codes in the trade lines that require a key to understand.
- Unreliable reporting
- All the bills you pay do not count towards your credit score but those bills can count if they go to collections

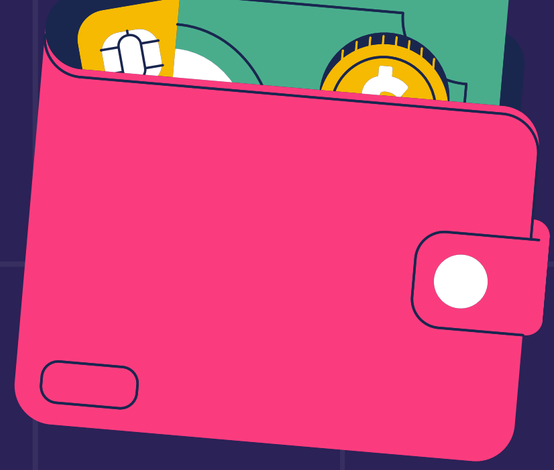
Request a credit report

You can obtain one free copy of your credit report, from each credit bureau, every week.
Can be obtained:

- Online – www.annualcreditreport.com
- Phone – 877-322-8228
- Mail – Send request form to:
- Annual Credit Report Request Service, P.O. Box105281, Atlanta, GA 303

While you're at it...

Freeze your credit while you check your credit score. Its easy to do, can be undone and can save you from someone opening accounts in your name. If you think someone has tried to access your account, file a fraud alert.



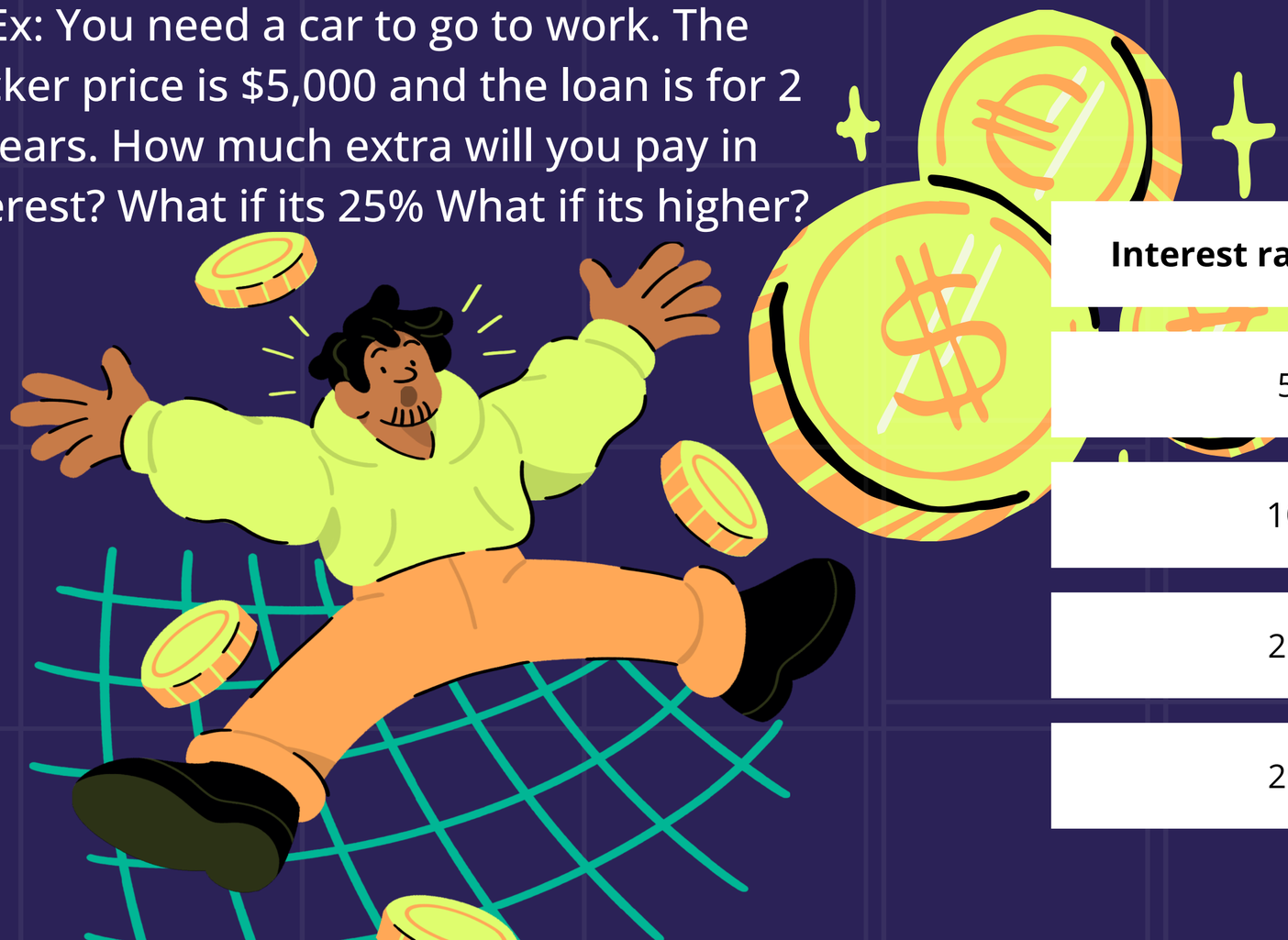
How long is info kept on a credit report?

Type of Account	Time Frame
Open accounts in good standing	Indefinatly
Closed accounts in good standing & Chapter 7 bankruptcy	10 years
Late or missed payments, Collections accounts, & Chapter 13 bankruptcy	7 years
Credit Inquities	2 years

The Real “Cost” of Credit

Interest is the fee you pay to access borrowed money

Ex: You need a car to go to work. The sticker price is $5,000 and the loan is for 2 years. How much extra will you pay in interest? What if its 25% What if its higher?



Interest rate per year	Total interest you will pay
5%	$527
10%	$1087
20%	2303
25%	2957

Warning signs of a credit repair scam

- They will require you to pay up front
- They don’t tell you your legal rights
- They urge you not to contact the credit reporting agency
- They claim they can dispute accurate negative info
- They tell you to dispute negative info

You should **not** have to pay a company to fix your credit.

If you have been scammed;
-Contact the state attorney general
-Report the scam to the federal trade commission

Thank You

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Email: fecinfo@myfinancialpower.org

Allegheny County Department of Human Services

Advantage Credit Counseling Service

Neighborhood Allies