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US Debt Statistics

	Total owed by average U.S. household carrying this type of debt	Total debt owed by U.S. consumers
Credit cards	\$15,355	\$712 billion
Mortgages	\$165,892	\$8.12 trillion
Auto loans	\$26,530	\$1.03 trillion
Student loans	\$47,712	\$1.21 trillion
Any type of debt	\$129,579	\$11.91 trillion

<http://www.nerdwallet.com/blog/credit-card-data/average-credit-card-debt-household>

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Today we'll discuss....

- What is credit and why we need it?
- Cost of credit
- Your credit report
- What is FICO 9?
- Your credit score
- Improving your credit score
- What to do if you're in over your head
- Things to remember
- Resources

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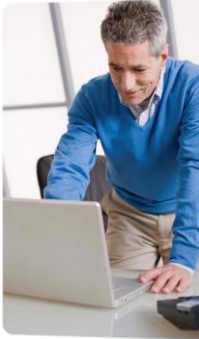
What is credit?

Allows us to make purchases that we normally would not be able to afford.

There are two types of credit available in the marketplace:

- Installment Loan (mortgage- auto)
  - This kind of loan has the same payment each month for the entire life of the loan.
  - Sameness allows us to calculate how it will affect our monthly budget
  - Tend to be less expensive
  - Many have collateral attached to them
- Credit Card and Student Loan (credit)
  - Compounding interest
  - Hard to fit into a monthly budget
  - Tends to be much more expensive

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Cost of Credit

- Money lending or credit is an ancient means of commerce both commercially and for individuals.
- Using credit is legal. The problems with credit comes when it is time to pay it back. That is when we realize how much it actually costs.
- Installment Loans are generally less expensive
  - Mortgages
  - Auto Loans
  - Compounding Interest Loans are much more expensive
  - Credit Card
  - Student Loans

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Cost of Credit continued...

- Interest is the charge the lender adds to the amount of the loan. It is always stated as percentage of the amount of the loan.
- In today's marketplace fixed interest loans generally range between 3% and 7% depending on the length and the type.
- Compounding interest loans generally range from about 6% to 28%.
- How much interest charged depends on the type of loan...
- Whether there is collateral for the loan and...
- Your personal credit score

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Credit Reports



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- There are three credit reporting agencies that are most important to us:
  - TransUnion
  - Equifax
  - Experian
- Credit reports are written accounts of your past use of credit for the last 7 years.
- If you have filed bankruptcy the reports track your use of credit for the last 10 years
- You may receive 1 report from each of the three companies during a 12 month period
- [annualcreditreport.com](http://annualcreditreport.com) is the site that you use to view download and print each report

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Credit Reports continued...



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- Check each report for errors
- Errors occur for many reasons but recent surveys have revealed that errors can negatively affect your score more often than they will positively affect your score
- To dispute an account on report
  - Download the dispute letter from [annualcreditreport.com](http://annualcreditreport.com)
  - Fill in the blanks
  - Send it to the company that is reporting the errors
  - You need to read each report and dispute any errors in each report
  - Each error needs a reply from the company within 45 days that they are investigating the complaint
  - Final decision occurs usually between 90 and 120 days

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What is FICO ?



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- Fair Isaac Company (FICO)
- Developed custom software back in the 1980's
- Prior to Fair Isaac credit was given out randomly, selectively and there was often discrimination
- Developed a statistical equation to make it as fair and non-discriminatory as possible
- FICO scores are used by 90% of lenders
- Your credit score will be between 300 and 850
- The higher the better

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Credit Scores

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This is a numerical representation based on the 3 credit reports. This can:

- determine your credit worthiness
- your cost
- your access to credit
- impact your ability to rent housing, get insurance, or be hired for a job



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Factors that can impact your score

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- FICO 9 uses more factors than previous FICO scores
- The minimum scoring criteria 1 credit account open for 6 months and 1 credit account used in the last 6 months
- Inquiries are now tracked for a twelve month period
- Credit Card information counts more than an installment loan
- Using 30% of available credit is good
- Using 20% will be considered better
- Using 6% or less will qualify you for a super FICO 9 score
- How long has each accounts been opened 0-23 months has a higher risk than accounts open 24 – 60 months.



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Factors that can impact your score continued...

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- If you only have collections on your report you will have no score
- All paid Third Party collection agency accounts are excluded from FICO 9
- Inquiries for consumer, mortgage and auto installment loans made within 30 days has no effect.
- Your score will be lowered if there is no activity for a 6 month period
- If you are using more than 30% of available credit this will factor into lowering your score



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### Factors that can impact your score continued...

- Pursuit of new credit including the number of new accounts can cause your score to be lowered
- A recent delinquency 0-11 months affects your score more than an older one 12 – 24
- If you are a new borrower more inquiries lower your score
- Young files will be affected by inquiries more than mature or older files
- In inquiry from a landlord is now considered a hard inquiry
- It used to be considered a soft inquiry
- There are multiple FICO scores you need to ask the lender which they use



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### What does a low score mean?

- It means that when you borrow money you will pay more than if you have a higher score
- It means that you will have less of the money you make available for your needs
- It means that you may not be considered for certain jobs
- It means that you may pay more for the rental of a house or apartment
- That you may pay more for Life, Auto and Health insurance
- That additional credit may not be offered to you



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### How to raise your score...

- Keep the oldest credit card account open
- Use the least amount of credit available to you
- Pay the minimum due on each credit card account on time
- Pay student loans on time
- Pay installment loans on time
- If looking for an auto, personal , or mortgage make all inquiries within 30 days
- Use some credit every six months and pay it off in full
- If you have debt collectors calling you make arrangements to paid the account off in full if possible



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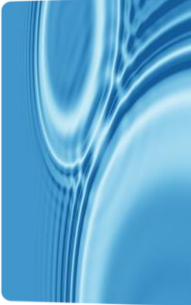
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In over your head?

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- If you are in over your head do something sooner than later
- Consider a budget coach
- Pay off new debts while still working to pay off older debt
- Seek professional help of a Credit Counselor
  - Non-Profit
  - For Profit
- Use a Credit Counselor that is physically located in the same state as you.
- Establish a formal Debt Management Plan
- Only agree to a payment plan that you can afford



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Things to remember...

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- Credit will cost you money
- A "sale" does not save you any money if you use a credit card and fail pay it off when the statement comes
- "Installment Loans" are easier to fit into a budget than credit cards
- Using the least amount of credit is the best
- Do your homework before you use credit to find out how much it will cost you
- Always try to at least pay the minimum on all loans on time
- Work toward a cash based home budget. That way when you use credit you are in charge not FICO 9



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US Federal Trade Commission  
[ftc.gov/org](http://ftc.gov/org)

US Federal Trade Commission  
[ftc.gov/credit](http://ftc.gov/credit)

- [ftc.gov/credit](http://ftc.gov/credit)
- [nfcc.org](http://nfcc.org)
- [annualcreditreport.com](http://annualcreditreport.com)



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Your EAP Can Help

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- Face-to-face counseling sessions
- Legal/Financial consultations
- Child/Eldercare consultation & referrals
- Daily life resources
- ID theft recovery
- Free credit monitoring
- myStrength – Health Club for Your Mind
- Let's Talk Depression – A Multi Resource Tool Kit
- Comprehensive website
  - Resources
  - Self assessments
  - Health/wellness library
  - Legal forms

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Thank you!



Call Your EAP Today!

800-999-7222

Or go to our website at

AnthemEAP.com

Login: Fulton

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