

Are You Getting The Credit You Deserve?



Poor credit can affect you negatively when applying for a loan. If you're not turned down outright, you'll probably pay a substantially higher rate than someone with good credit.

Bad credit can also hurt you when seeking employment or finding a place to live.

Prospective employers often review your credit history to see if you're responsible and trustworthy. Potential landlords can also check it to see if you pay your rent on time or are continually late.

Credit Reports

There's a difference between credit reports and credit scores. A credit report lists your credit accounts, including mortgages, credit cards and personal loans. It shows late or missed payments, charge-offs and bankruptcies.

There are three major credit reporting bureaus: Equifax, Experian and TransUnion. You can get one free copy of your credit report annually from each bureau by going to www.annualcreditreport.com.

Credit Scores

A credit score combines and weighs the numbers from your credit report and other sources to establish a three-digit score that measures your overall creditworthiness.

The most popular credit scoring method is called a FICO score, after the Fair, Isaac Company that developed it. Scores range from 300 up to 850; the higher your score, the better your credit.

For a small fee, you can request your credit score from www.myfico.com.



How Your Credit Score Is Determined

Here are five of the weighted components in order of importance:

- **Payment History**

Do you pay your bills on time? Have you failed to repay any loans?

- **Current Debts**

How much you owe right now, to how many creditors, and the ratio of your debt to your available credit.

- **Length Of Credit Usage**

The longer you've used credit responsibly, the better your score.

- **New Credit Applications**

Applying for a lot of credit can be a negative indicator. That's something to think about when a department store offers you a 10% discount for opening an account with them.

- **Types Of Credit**

Unsecured debt, such as personal loans and credit cards, can be more damaging than secured debt such as mortgages and auto loans

Repairing Your Credit Score

If you have been denied credit because of a poor credit score, you can improve it by:

1. **Making On-Time Payments**

A year or two of on-time payments demonstrates that you're a responsible borrower.

2. **Keeping Your Debt Ratio Low**

Try to use no more than about 40% of your available credit. It's better to spread balances over several credit cards than to be maxed out on one card.

3. **Keeping Your Oldest Accounts Open**

Your score is partly based on longevity, so don't close all unused accounts. Close newest accounts first and keep the older ones with good histories open.



FEDERAL CREDIT UNION

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