

Building Good Credit and Improving Your Credit Score



US Consumer Debt Statistics

August 2014

- **Consumer Debt = \$11.74 Trillion**
 - 5% Increase over 2013
 - 9% Delinquent
- **Mortgages = \$8.24 Trillion**
 - Avg. Mortgage Debt = \$156K
 - 72% Of U.S. Consumer Debt
- **Student Loans = \$1,13 Trillion**
 - 14.2% Increase over 2013
 - Avg. Student Loan = ~\$34
 - Borrowers = > 37 Million (2,5 Million in Default)
 - 44% either 90 Days Overdue or Temporarily Postponed Payment
- **Credit Card Debt = \$872 Billion**
 - Avg. Credit Card Debt \$15.5K

Objectives

- What is credit and why do we need it?
- Understand how to use debt
- Discuss your credit report
- Understand your credit score
- Improving your credit score
- Managing your cash flow better

What is credit and why do we need it?

- Allows us to make purchases that we cannot afford today
- Used by governments and businesses
- Used by individuals
 - our credit worthiness determines our cost and access to credit
 - could impact ability to rent housing, get insurance, or even being hired



Understanding how to use credit

- Good debt
 - low interest rates
 - manageable payments
 - long term benefits

(examples: home, education, car)
- Bad debt
 - high interest rates (typically unsecured)
 - doesn't fit into your budget
 - short-term benefits/long pay off period! - *consider the repayment period posted on your credit card statement*

So should you use debt?

- Ask yourself how long it will take you to pay off the amount you borrow with the interest charges added
- Ask yourself whether this spending provides a long-term benefit or a short-term benefit
- If you expect a benefit, what is the return



Your credit report

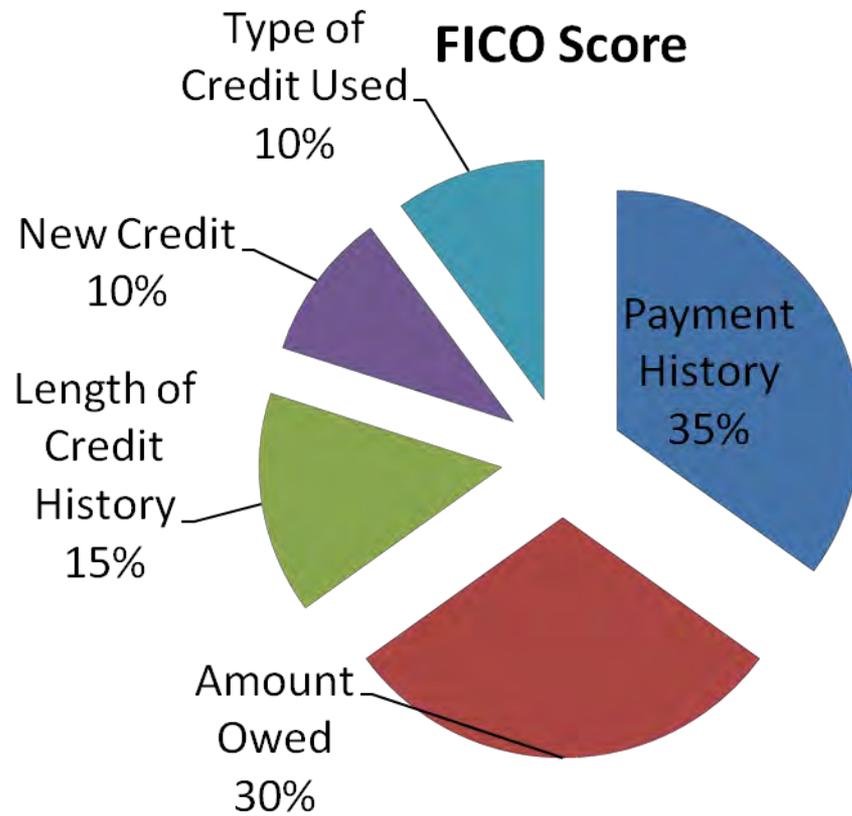
- Late payments
- Outstanding debt
- Total amount of credit currently available to you
- Personal judgments, bankruptcies, liens



The Power of Your Credit Reports and Score

- Will determine if you will get a loan
- Will determine what interest rate you will pay
- Can determine if you can rent an apartment or house
- Can impact your job prospects
- Can impact insurance rates

How is a Credit Score Graded?



Improving Your Credit Score

- Experian, TransUnion, and Equifax will provide a copy of your credit report for free (1 per year)

www.experian.com www.transunion.com www.equifax.com

- Stagger your requests (1 company report every 4 months)
- Review all entries for errors
- Contact both credit bureau and company providing the incorrect information ASAP in writing
- Explain that you are disputing the information provided to the bureau.
- Provide supporting documentation (cancelled checks)
- Your dispute may not get immediate results
- Have a statement of your dispute included on your current credit report
- Request a new report showing your disputed statement for any inquiries into your credit report provided within the last 6 months

Improving Your Credit Score (cont.)

- Pay on Time!
- Get current and stay current
- Keep your balances below 30% of your credit limit
- Pay down debt
- Keep old credit relationships
- Contact your creditor first
- Be prepared
- Suggest a payment plan you can handle
- Send letter to creditor detailing agreement
- Enclose copy of letter with each payment

Working with Collection Agencies

- Know your rights! (Fair Debt Collection Practices Act)
- Small possibility to negotiate with the collection agency to remove account from credit report
- If agreed upon, document this fact in Settlement Offer sent to collection agency
- Make payment after offer accepted



Credit Counseling Agencies and Debt Management Programs (DMPs)

- DMPs are available through credit counseling agencies.
- Can help with budgeting
- Can negotiate plans with creditors
 - You pay CC with one check, they pay creditors
 - Keeps you organized, current, out of bankruptcy

Credit Counseling Agencies

Buyer Beware!

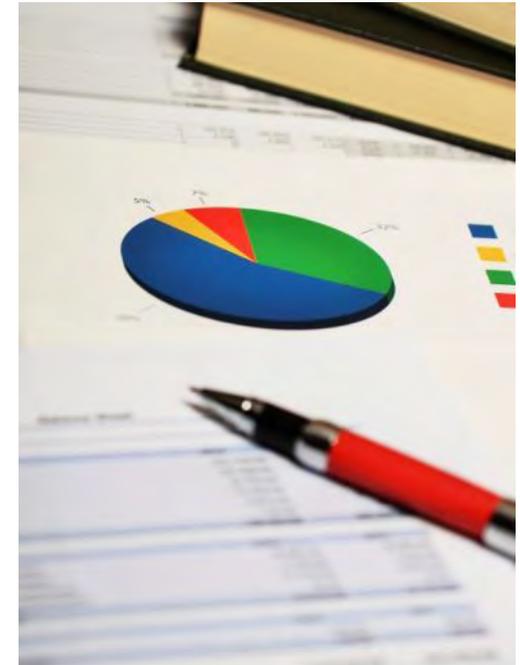
- US Federal Trade Commission
www.ftc.gov/org
- National Federation for Credit Counseling
www.nfcc.org

Rebuilding Credit

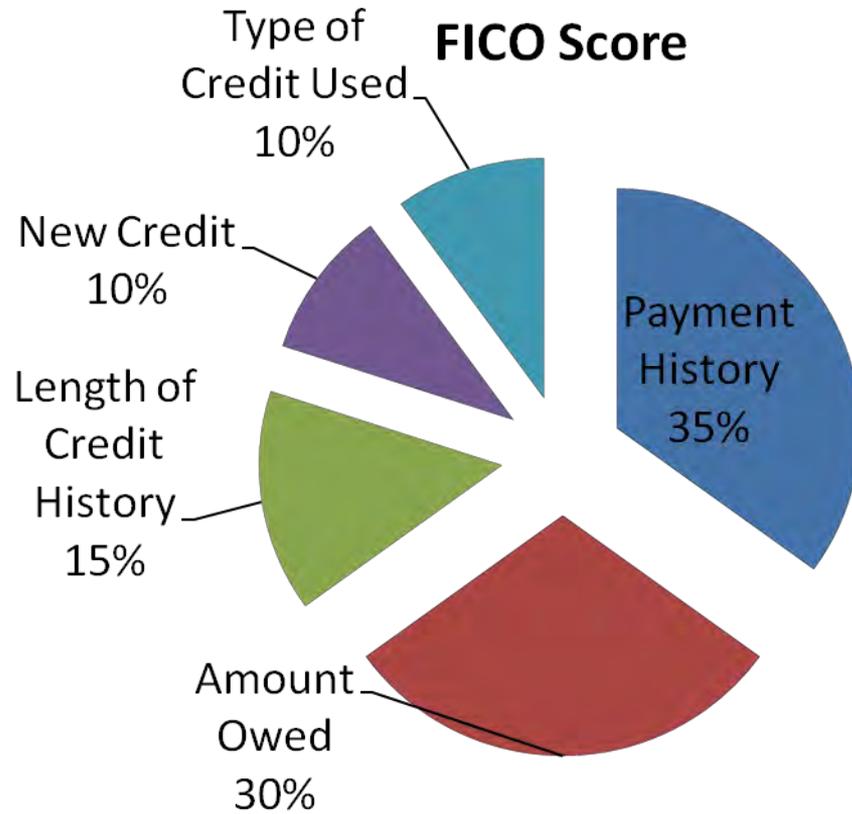
- Use secured credit cards
- Consider store cards
- Use cards, but keep spending low
- Pay on time!
- Be patient! This could take time
 - Chapter 7 (10 years) Chapter 13 (7 – 10 years)
 - Late payments 2 years
 - Settlements/repos/foreclosures (7 years)

Managing Cash Flow

- Work on your budget!
- Identify “problem” spending areas
- Plug the spending holes!
- Re-direct money towards paying down your debt
- Set up equal payments plans
- Use on-line payment options



Wrap up



Additional Resources

- Federal Trade Commission - www.ftc.gov/credit
- National Foundation for Credit Counseling - www.nfcc.org
- Annual Credit Report - www.annualcreditreport.com

Let WorkLife4You Make Your Life a Little Easier!

Contact WorkLife4You 24/7:

1-877-WL4-NOAA - (1-877-954-6622)

(TTY: 1-800-873-1322)

<http://www.worklife4you.com>

Look for the Member Login box

Not a registered member yet? Follow the “**Start Now**” link and
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