ESTABLISHING CREDIT

- Apply for a low-limit credit card
- Become an authorized user on someone else's credit card
- Open up a credit builder loan

INCREASING THE CREDIT SCORE

- Make debt payments on time
- Remove incorrect or negative information from your credit reports
- Pay off revolving debts, like credit cards and lines of credit, and keep the balances low
- Keep old credit card accounts open
- Minimize hard credit inquiries

NOTES

RANGE OF SCORES

800-850 EXCEPTIONAL

740-799 VERY GOOD

670-739 GOOD

580-669 FAIR

300-579 POOR

CONTACT US

IF YOU HAVE QUESTIONS OR NEED ANY RESOURCES

FINANCIAL WELLNESS PROGRAM

UMCU

education@umcu.org

340 E Huron St,
Ann Arbor, MI 48104

UMCU.ORG

FINANCIAL WELLNESS PROGRAM

UMCU

BE CREDIT SMART

TRUTH OR MYTH

1 **The less you spend on credit, the better it is for your credit score.**

Truth – The lower your utilization percentage (credit card/line of credit balance divided by credit limit) is, the better it is for your score.

2 **You should open up several credit cards in a short period to increase your score.**

Myth – Applying for and opening too many credit or loan accounts in a short period of time will lower the score because of the hard inquiries.

3 **As long as you pay off your credit cards each month, your score is not impacted by how much you charge.**

Myth – Even if you pay off your credit cards each month, if the balance that gets reported is over 30% of the individual credit limit, your score could drop.

4 **Account information regarding open credit accounts is generally updated on your credit reports every 30-45 days.**

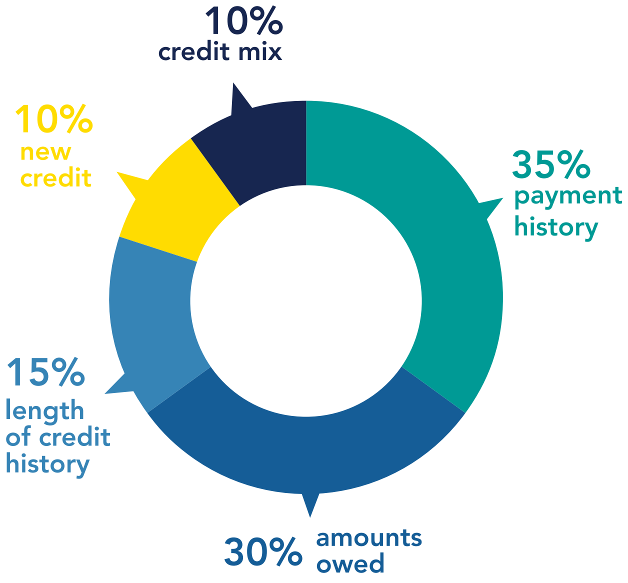
Truth – Creditors report to the credit bureaus once a month.

5 **It takes several years to establish a high credit score.**

Myth – Even if you're starting from scratch, with responsible loan and credit use, it's possible to have a high credit score in about 6-9 months.

6 **If a creditor, not you, closes one of your credit cards, your score will not be impacted.**

Myth – Regardless of who closes a credit card, the score can drop because it can lower the available credit and shorten the history.



HOW IS YOUR FICO CREDIT SCORE DETERMINED?

Credit scores are calculated using the information contained on your credit reports.

There are three major bureaus – Experian, Equifax, and TransUnion.

You can pull your detailed credit reports for free at www.annualcreditreport.com. It's beneficial to check all three to ensure accuracy and that there are no signs of identity theft. When you pull your credit reports or scores yourself, this is a soft inquiry and does not hurt the credit score.

Payment History (35%)

Thirty-day late payments on accounts, especially if they happened recently, will lower the score.

Amounts Owed (30%)

Keep revolving account balances (credit cards and lines of credit) at less than 30% of the individual credit limits to avoid a negative impact to the score. If possible, pay the balances to $0 every month. Using a significant portion of your available credit suggests overextension and lenders might view this as an increased default risk.

Length of Credit History (15%)

The longer you keep credit accounts open, the better it is for your score. The FICO score considers the age of your oldest and newest accounts and an average age of all your accounts.

New Credit (10%)

Every time you apply to borrow money, whether or not you're approved, your score will lower a bit each time. Applying for several loans or credit cards in a short period of time represents a greater lending risk. Only apply for new accounts when needed.

Credit Mix (10%)

Having a variety of open, on-time accounts can benefit your score. This includes revolving accounts, like credit cards and lines of credit, and installment accounts, like mortgages, auto loans, student loans, and personal loans.