

Getting and Keeping Good Credit

Financial Classes
Personal Coaching



Getting and Keeping Good Credit

This workshop covers:

- Establishing a credit history
- Understanding the importance of your credit score
- Maintaining good credit
- Your action plan

Let's get started!



Establishing a credit history

- A secured card is easiest to obtain.
- A department store or gas card is easier to obtain than a Visa or MasterCard.
- Ask if the creditor reports account activity to the credit bureaus.
- Make payments on time.
- Don't let anyone borrow your credit or debit card. You are always responsible for payment.

Source: Bankrate.com.

Credit nation

- As of 2008, the average U.S. household had approximately \$10,679 in credit card debt

Source: CardWeb.com

- As of June 2009, U.S. consumer bankruptcy filings had increased 36.5% in the last year

Source: American Bankruptcy Institute

Only paying the minimum

How long does it take to pay off \$9,200?

- Interest rate is 12%.
- Minimum monthly payment is 2% of the balance.
- You make no other purchases.

It will take 360 months (30 years) to pay off!

- You will have paid \$8,896.61 in interest.
- Your \$9200 purchase will cost \$18,096.61.

Using debt to increase buying power may not be a good idea

Good debt (home loan, student loan, “some” balance transfers)

- Affordable payment.
- Reasonable interest rate.
- Incurred to purchase a long-term asset.

Bad debt (credit card cash advance, payday loan, etc.)

- Unaffordable payment.
- High interest rate.
- Debt incurred for non-essential items, or “impulse” buys.

Your credit score is important

A credit score can determine:

- Whether you qualify for a loan
- The interest rate you will pay
- Auto insurance rates
- Job offers



Credit score affects total interest

A higher credit score qualifies you for a lower interest rate. See the difference in total interest paid for a 30-year \$150,000 mortgage:

FICO score	Annual % rate	Monthly payment	Total interest paid
720 - 850	5.9%	\$888	\$169,810
700 - 719	6.0%	\$900	\$174,139
675 - 699	6.5%	\$953	\$193,023
620 - 674	7.7%	\$1,069	\$234,924
560 - 619	8.5%	\$1,157	\$266,400
500 - 559	9.3%	\$1,238	\$295,772

How credit scores are calculated

Credit scores are calculated considering the five categories of data listed below.

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- 35% - Payment History**
 - 15% - Length of Credit History**
 - 10% - New Credit**
 - 30% - Amounts Owed**
 - 10% - Types of Credit Used**
-

The importance of any factor depends on the overall information in your credit report.

Other qualifying information

Lenders look at your credit score and other information including:

- your income
- how long you have worked in your current field
- the kind of credit you are requesting

Monitor your credit frequently

You are entitled to a FREE credit report from each of the three nationwide credit bureaus, Equifax, Experian and TransUnion, every 12 months:

- Website: www.annualcreditreport.com
- The toll free number to call is 877-322-8228.
- Send a written request to:

Annual Credit Report Request Service
P. O. Box 105281
Atlanta, GA 30348-5281

Maintaining good credit

- Keep balances low on credit cards and other “revolving credit”.
- Pay off debt rather than moving it around.
- Don’t close an unused account to raise your score, unless recently opened.
- Long term accounts improve your score.

Late payments are not worth it!

- May trigger monthly fees of \$35 or more and/or a higher “default” interest rate.
- A “30-day late” lowers your credit score and stays on your report for 7 years!
- Only time and re-establishing a record of timely payment will raise your score.

Resolve debt problems

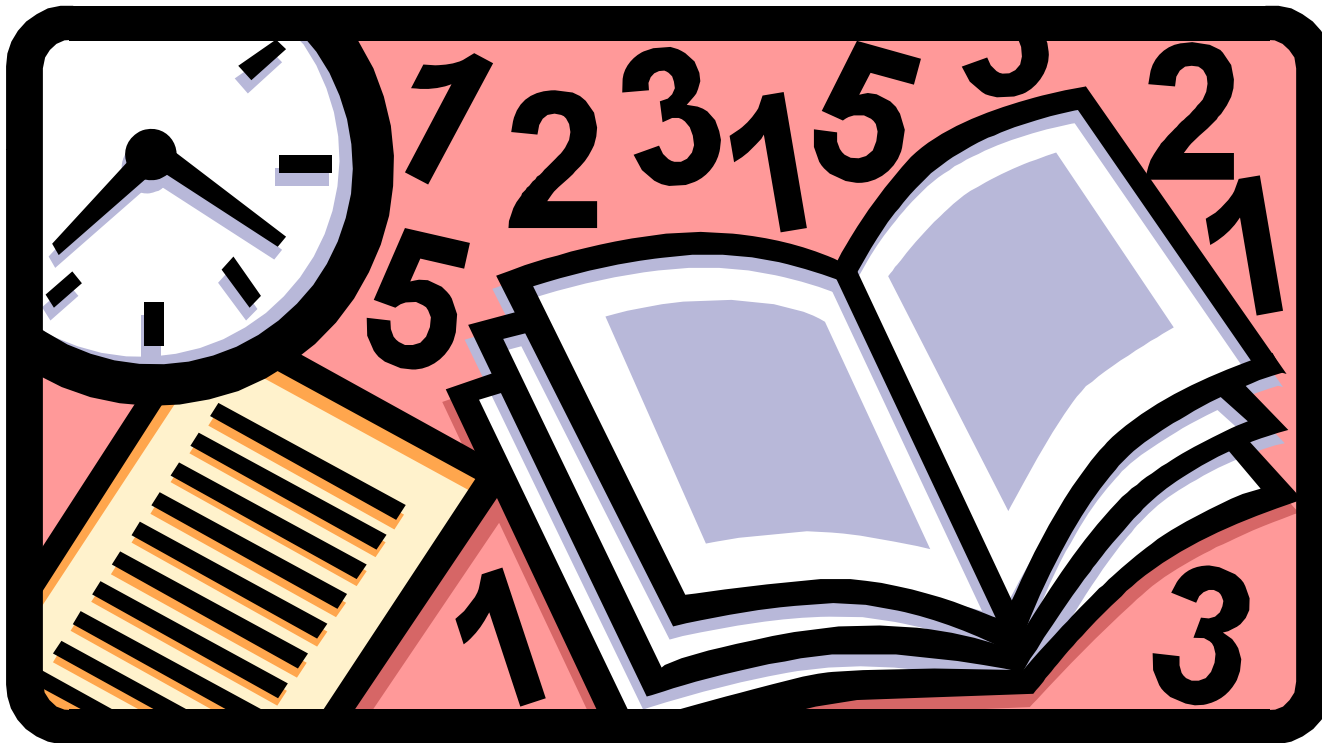
Communicate with creditors:

- Discuss payment options with creditors.
- Negotiate with a collection agency.
- Contact a credit counseling service to negotiate on your behalf.
- Offer a cash settlement to avoid bankruptcy.

Rebuilding your credit

- If you have missed payments, get current and stay current.
- The longer you pay your bills on time, the better your score.

What is the best way to turn today's class into tomorrow's action plan?



Financial coaching

- Create and accomplish clear goals.
- Increase self-confidence about financial decisions.
- Learn how to get through financial road blocks/challenges.
- You and your partner are more likely to work together regarding finances!

My Secure Advantage™ (MSA™) Financial Coaching

MSA™ provides a confidential relationship with a financial professional to help you achieve financial goals:

- Improve your budget
- Improve your credit
- Maximize savings
- Retirement planning

By Attending Today's Class...

- You have 30-days free access to the MSA[™] financial coaching program.
- Let's get started!

We hope you have gained a better understanding of your credit score and how to manage your credit.



Website Resources

Managing and Rebuilding Credit

- www.myfico.com
- www.creditcards.com
- www.ftc.gov/bcp/menus/consumer/credit.shtm
- www.consumeraction.gov

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