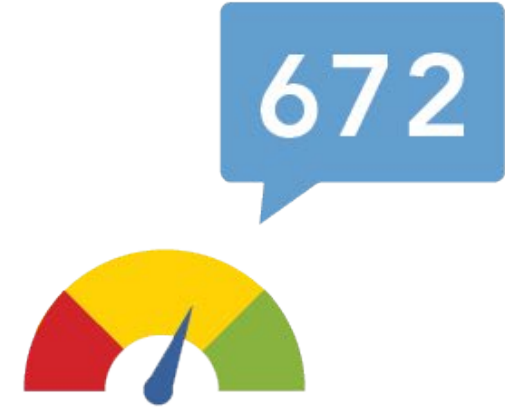
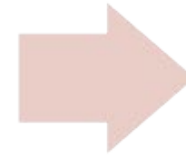
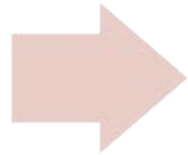


Key Terms



CREDIT HISTORY/FILE:

Record of transactions involving the use of credit – and other products/services

CREDIT REPORT:

Record of a consumer's credit history at a **particular point in time**

CREDIT SCORE:

Three digit number summarizing credit risk at a **particular point in time**

What is a Good Score?

300	350	400	450	500	550	600	650	700	750	800	850
POOR CREDIT <i>(sub-prime)</i>				FAIR CREDIT <i>(near-prime)</i>				GOOD to EXCELLENT CREDIT <i>(prime/super-prime)</i>			
<ul style="list-style-type: none">! Viewed by lenders as high risk! May be denied for credit altogether! Loans and credit that are approved will carry high interest rates				<ul style="list-style-type: none">■ May be eligible for reasonable or good rates and terms■ Co-signor or deposit may be required				<ul style="list-style-type: none">✓ Eligible for very good or the best rates and terms✓ Viewed by lenders as dependable and low-risk borrowers			

Note: Based on FICO® Score ranges and distributions. As there is no one score and ranges are not static, what is a “good score” depends on the lender/ business as well as overall consumer performance at any given time.



**Good Credit is
the Passport to
the New Economy**

The Key

Opening and successfully managing financial products is key to *building* and *maintaining* a good credit history

BUT...

Individuals, families and communities with no, thin or poor traditional credit histories have **few opportunities** to build **good credit.**

How Does Credit Building Work?

CREDIT BUILDING:

Establishing and maintaining **ACTIVE** paid **on-time** tradelines (installment or revolving) that are **reported** to the major credit bureaus.



Focus on *behavior* now to create opportunities for the future

What is an Active Trade Line?

An active Installment (loan):

- Has a balance
- Paid monthly
- Is not closed



What is an Active Trade Line?

An active Revolving account:

- Does not need to carry a balance
- At least one payment has been made in the past six months (date of last activity)



Credit Building Best Practices



3 ACTIVE tradelines always paid on time!



MIX of installment and revolving

Installment: assess affordability of monthly payment

Revolving: focus on reducing outstanding debt balances; avoid using revolving credit for general consumption.



6 MONTHS of history... and activity

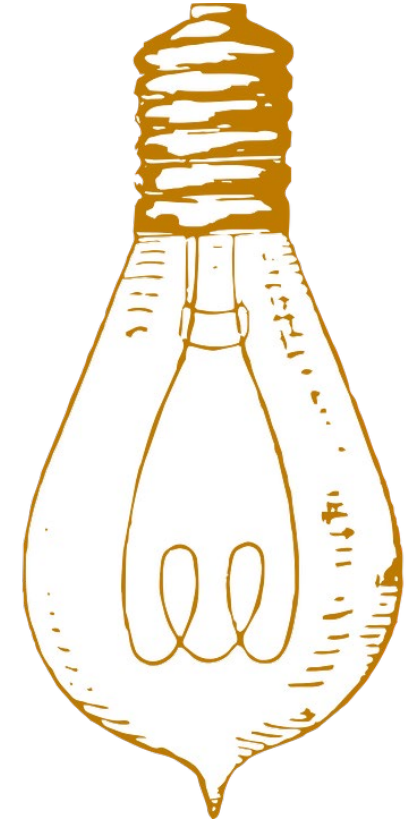


PAIR with credit education and support

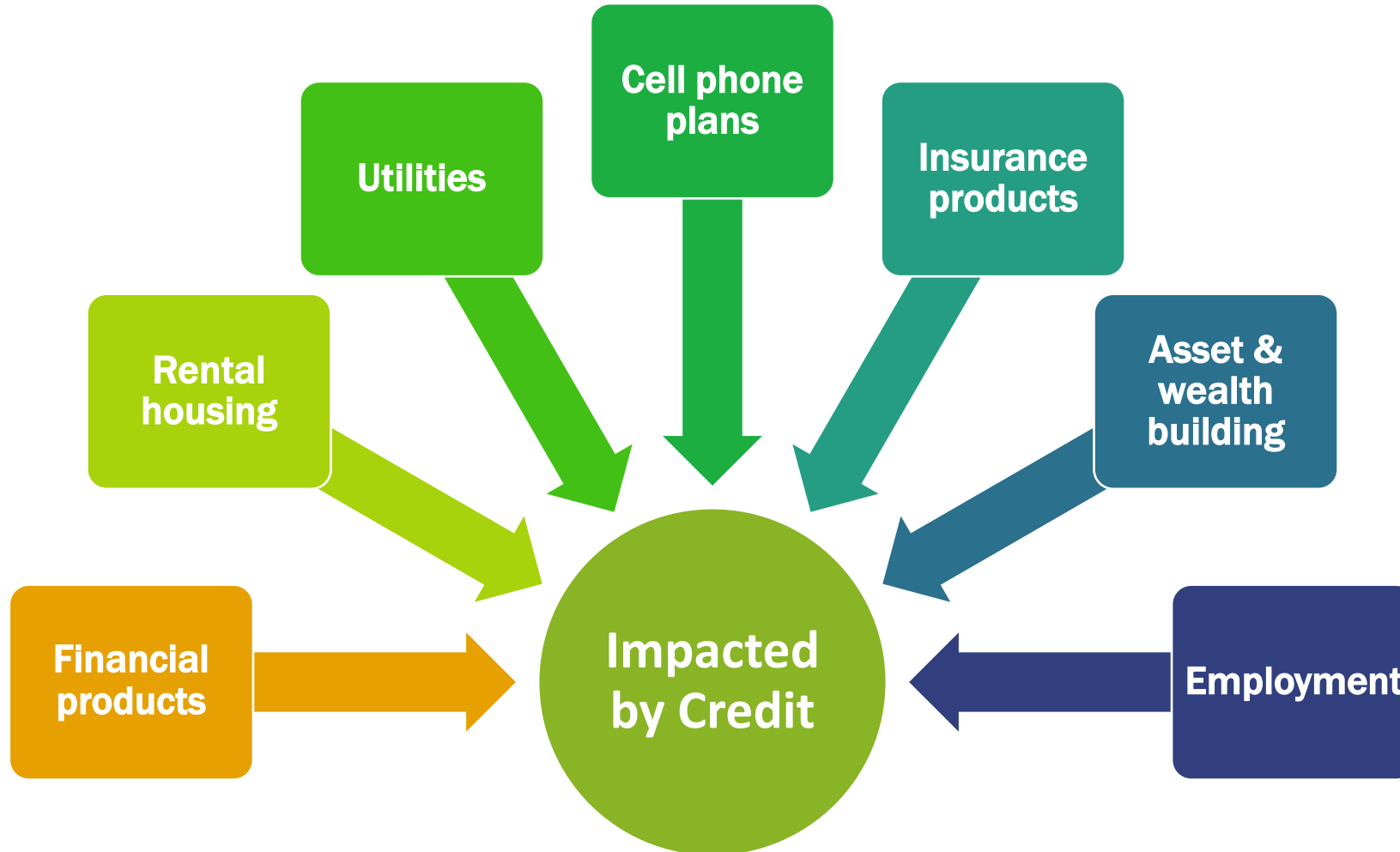
Did You Know?

In just **6 – 12** months:

- **Someone with no score who adds installment loan of \$100 and pays it on time can be in the **near-prime** to **prime range**!**
- **A scored consumer with a low score may see an increase of **35 points**!**



Increases Access, Affordability, and Options for...



Smooths Income and Buffers Shocks



\$



\$ \$



\$ \$ \$

Households at **ALL** income levels rely on credit to manage cash flow and address unexpected expenses.

Increases Cash Flow and Reduces Expenses

\$250,000 MORTGAGE			
30 year fixed			
Score	Interest Rate	Monthly P&I Payment	Total Interest Paid
<620	Not Approved		
620	5.464%	\$1,414.00	\$258,979
760	3.875%	\$1,176 .00	\$173,213

Potential Savings:
Each Month = \$238
Over 30 years = \$85,766

Example provided for educational purposes only. Rates will vary.

Increases Cash Flow and Reduces Expenses

\$10,000 AUTO LOAN			
5 year term			
Score	Interest Rate	Monthly Payment	Total Interest Paid
500	17.214%	\$250.00	\$4,981.00
620	11.34%	\$219.00	\$3,147.00
720	4.781%	\$188.00	\$1,263.00
760+	Even lower rates may be available for excellent credit scores!		

Potential Savings:
Each Month = **\$62**
Over 5 years = **\$3,718**

Example provided for educational purposes only. Rates will vary.

Setting SMART Goals

Step 1:
Consider the Goal



Help clients identify SMART short-term and long-term financial goals

Specific
Measurable
Actionable
Realistic
Time-based

