

The background features a photograph of a university building at night, with its lights glowing. A large, semi-transparent yellow geometric shape, composed of several overlapping triangles, is positioned on the left side of the image. The overall color palette is dominated by deep blues and purples from the night scene, contrasted with the bright yellow of the geometric overlay.

Let's Get Credit Healthy!

Mark Munzenberger & Nicole Bernacik – UMCU Financial Education



Credit “healthy” – what does that mean?

- **Good to excellent credit score**
- **Affordable Debt to Income (DTI) ratio (<50%)**
- **Has a sustainable debt load - able to safely afford all payments**
- **Not overly reliant on credit for routine expenses**

A person wearing a green suit, white shirt, and dark tie is holding a white sign. The sign lists credit score categories. The background is a light blue gradient. On the left side, there is a decorative graphic with yellow and blue geometric shapes.

credit score

excellent

good

fair

poor

**Your Credit History matters
– but why?**



CREDIT RATING

When you do apply to borrow money, your credit score will have a direct impact on:

- 1) the decision, and 2) how expensive the loan will be.**



More than just lending

- Insurance Rates
 - Rental Applications
 - Employment
 - Utilities
-



Credit vs. Credit
Score Report



Credit Report

Your Credit Report contains your credit history as reported to the credit reporting agencies monthly by your active creditors.



The information in your credit report can also be used to generate a **Credit Score** (a risk score) such as your **FICO** or **Vantage Score**.



✓ **Knowledge Check ...**

According to FICO, using data as of the end of 2023, what is the national average FICO score?

717

All Credit Reports generally have four primary sections ...

Demographics

Account Data



* Public Records

Inquiries

WHAT TRIGGERS AN INQUIRY?

Yes!

HARD INQUIRY



Applying for a new credit card.

Requesting a credit limit increase.

Applying for loans (e.g., auto, student, or mortgage loan).

SOFT INQUIRY



Creditor checks your credit for pre-approval.

Background screening process from your employer, after accepting a new job.

Creditor runs a credit check for reasons unrelated to money.

No!

There are three “major” credit reporting bureaus

TransUnion^{tu}

experian[™]

EQUIFAX[™]

**Are your reports the same at
each bureau? Or different?**

- ✓ **Knowledge check ... you applied for credit and were turned down. Who made that decision ... the credit reporting bureau or the lender?**



Is everything on your Credit Report accurate?



If not ...

- 1. Reach out to the original creditor.**
- 2. If not successful, file an online dispute with one of the credit reporting bureaus. Focus on inaccurate information (payment history, open/closed accounts, account responsibility).**

✓ Knowledge Check ...

How many years would a late payment remain on a report before dropping off?

- 3 years
- 5 years
- 7 years
- 10 years



Homework Assignment - Where can I obtain a free copy of my Credit Report?



TransUnion^{tu}

The TransUnion logo consists of the word 'TransUnion' in a blue sans-serif font, with a small circular icon containing the letters 'tu' to the right.

Experian

The Experian logo features a stylized circular icon made of red and blue dots to the left of the word 'Experian' in a blue sans-serif font.

EQUIFAX

The Equifax logo is the word 'EQUIFAX' in a bold, red, italicized sans-serif font.



✓ Knowledge Check ...

How often can a consumer obtain a credit report using www.annualcreditreport.com?

- Once a week
- Once a month
- Once a quarter
- Once a year

CREDIT SCORE



What is it? A statistical summary of the information contained in a credit report, graded on a scale ranging from 300 to 850.

Your credit score represents your financial reputation - used by lenders, landlords, employers and others - **to determine the level of risk.**



Credit Score Range



630-689

Fair

690-719

Good

300-629

Bad

720-850

Excellent

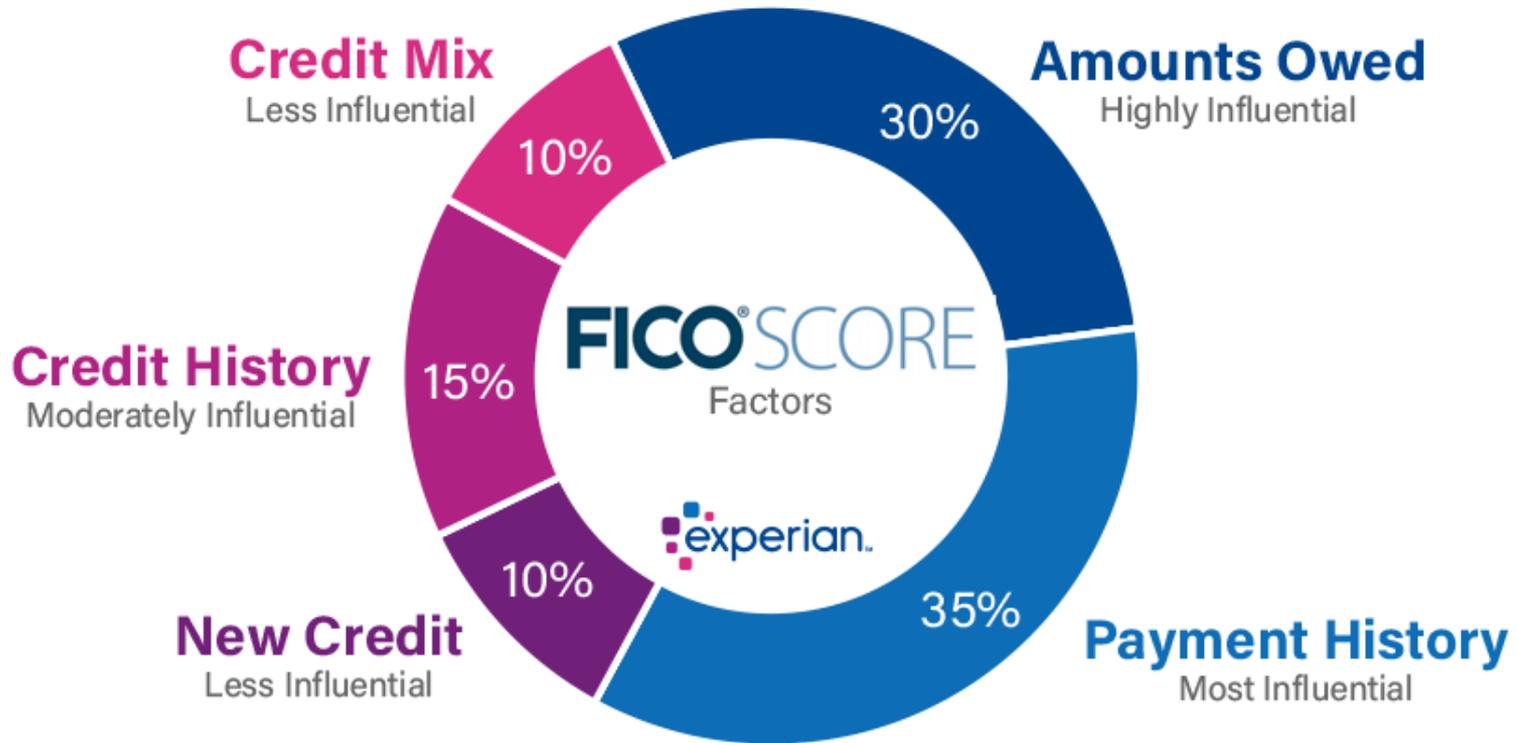


FICO Scores ignore ...

- Race, color, religion, national origin, sex and marital status
- Age
- Salary, occupation, title, employer, date employed or employment history
- Where you live
- Child/family support obligations
- Soft inquiries



What is the recipe for a high Credit Score?



Payment History (35%)



How Recent?

Severity? 30? 60? 90?

The concept of recency

- **2019 – Little to no impact 😊**
- **2022 – Some impact**
- **2024 – Huge impact 😞**





✓ Knowledge Check ...

Consumer misses a credit card payment, and is reported to the credit bureaus as a **30 day late**. What is the typical impact to the credit score?

- No change for just one late payment
- Score decline of 10-20 points
- Score decline of 30-40 points
- Score decline of 60+ points

Amounts Owed (Utilization) – 30%

How To Calculate Credit Utilization



$$\text{Total Utilization Rate} = \frac{\text{Total Credit Card Balances}}{\text{Total Credit Limits}}$$

$$\frac{(\$1,000 + \$3,000 + \$2,000)}{(\$2,000 + \$10,000 + \$8,000)} = \frac{\$6,000}{\$20,000} = \mathbf{30\%}$$



\$1,000 Credit Limit

\$100 Balance



\$400 Balance



\$800 Balance



How to Improve Your Credit Utilization Rate



Pay Down Your Debt

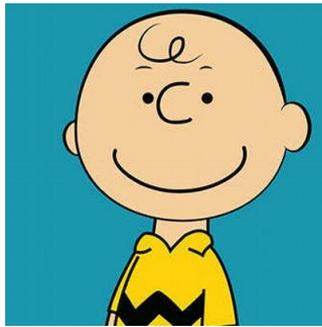


Increase Your
Credit Card Limit



Keep Cards Open After
Paying Them Off

Target is 30% or below



**\$30,000 Auto Loan
Finance for 60 months**



Charlie

Snoopy

Credit Score = 650

Credit Score = 730

APR = 11.99%

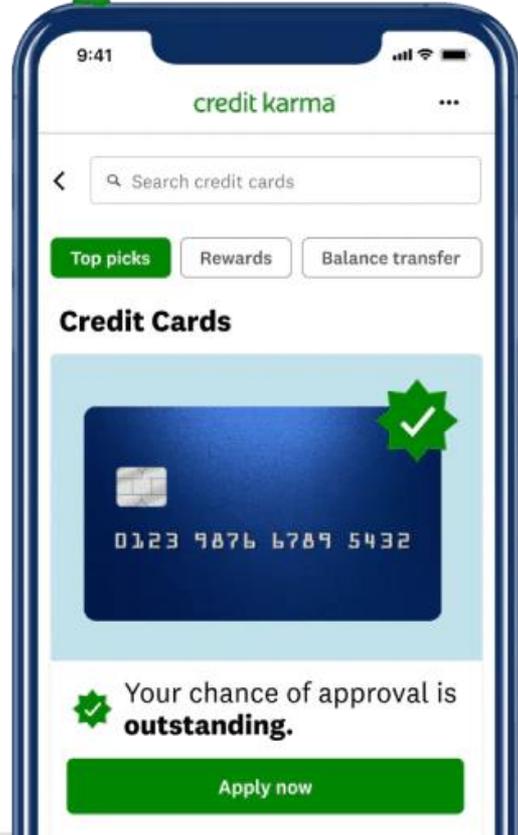
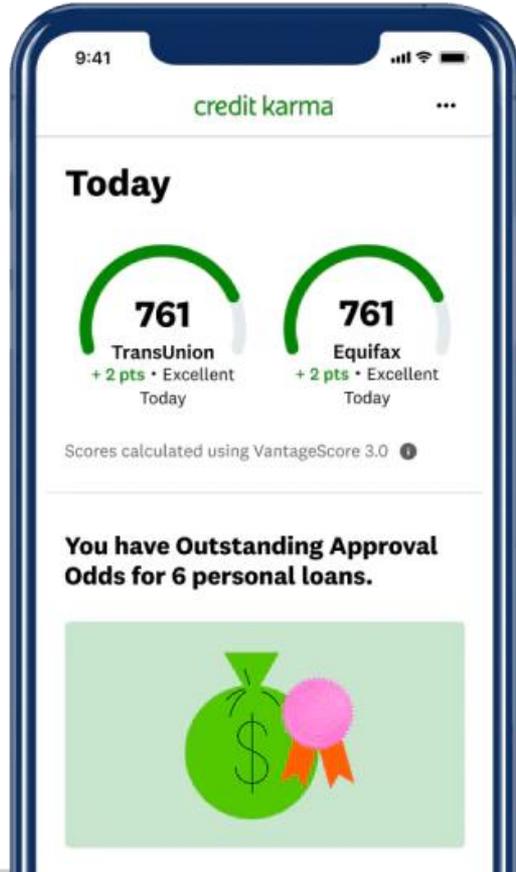
APR = 6.74%

Monthly Payment = \$667

Monthly Payment = \$590

Total cost = \$40,031

Total cost = \$35,422





Final take-aways ...

- **Because interest rates are higher than a few years ago, debt is more expensive ... especially credit card debt.**
- **The longer the term, the more money it will cost you overall.**
- **Perks and rewards are nice ... but make sure that we don't overspend.**

How we help 😊

- **Credit report reviews**
- **Financial counseling**
- **Credit brochures and other materials**



Thank You!

Mark Munzenberger & Nicole Bernacik
UMCU Financial Education
education@umcu.org

