

Credit Building & Budgeting

Tips, tools and information on credit and budgeting

Presented by Mercy Credit Union



Credit Building & Budgeting

- Learn what affects your credit and how to build and/or improve your credit.
- Tips for budgeting
- Tools that are available for budgeting and building credit

What is a credit score & how is it calculated?

Credit Score Definition

- A three digit number that represents your credit risk and/or the likelihood bills will be paid on time
- Generally ranges between 300 and 850

How it is calculated

- Payment History 35%
- Used Credit vs Available Credit 30%
- Types of credit used 15%
- New Credit 10-12%
- Length of credit history 5-7%

Actions that Affect Your Score

- Number of credit accounts
 - Too many accounts can have a negative affect
- New credit established
 - Too many NEW accounts could indicate your are planning to take on a lot debt
- Age of credit accounts
 - The longer you have had a positive history, the better
- Credit Mix
 - Creditors like to see a variety of credit lines (credit cards, installment loans, mortgage, etc...)
- Relationship of balances to limits
 - A lower rate of debt in relation to your limits is preferred
- Derogatory Reporting
 - Can negatively reflect on your score for up to 7-10 years
 - Late/missed payments, foreclosure, repossession, liens, bankruptcy, collections, poor debt-to-credit and applying to frequently in short time period

Credit Report

What is it?

- Record of all your credit history and activity
- It will list companies that have extended credit to you along with the payment history you have had with them

How does information get on there?

- Updates are submitted to at least one of the 3 credit bureaus every month
- Lenders do not all report at the same time of the month

What does my credit score have an impact on?

- Interest rates
- Being able to finance a home, vehicle or large purchase
- Insurance rates
- Down payments being required on cell phones or other utilities
- The ability to sign a lease for an apartment or rental

Monitoring Your Credit

It is important to monitor your credit

- Monitor your credit so you are aware of your score when applying for loans
- Monitor your credit to help against fraud
- It should be monitored like your bank statement. Be knowledgeable about all of your finances.

Identity Theft & How to Protect Yourself

ID Theft

- When your personal info is stolen to commit fraud in your name
- Lost or stolen wallet or phone
- Your social can be used to rack up false lines of credit

Protecting Yourself

- Change passwords regularly
- Keep your password secure
- Utilize an ID Protection & Restoration product such as Kasasa Protect[®]

Disputing Credit Report Information

- You are allowed to dispute false information reporting to the credit reporting agencies.
- You can either dispute the information with the company providing the false information, with the credit reporting agency or both.

How to Obtain Your Free Annual Credit Report

www.annualcreditreport.com

Credit Reporting Agencies Contact Information

Equifax, Experian and TransUnion

- **Online:**
Equifax - www.equifax.com/CreditReportAssistance
Experian - www.experian.com/acrdispute
TransUnion - <https://dispute.transunion.com>

- **Phone:**
Equifax – 1- 866-349-5191
Experian – 1-800-509-8495
TransUnion – 1-800-916-8800

- **Mail:**
Equifax
P.O. Box 740256
Atlanta, GA 30374-0256

Experian
P.O. Box 9701
Allen, TX 75013

TransUnion
P.O. Box 2000
Chester, PA 19016

Budgeting

A budget is an itemized estimation of expenses and income over a period of time.

Reduce Debt & Have a Healthy Budget

The Snowball Effect

- Write down all of your debts (excluding mortgages)
- Put them in order from smallest to largest debt
- Don't worry about interest rates

How it works

- Pay the most on your smallest debt without straining your budget
- Pay the minimum on all other cards
- Once you pay off one, add that payment to the next

My Snowball Effect

<u>Type</u>	<u>Min Payment</u>		<u>Balance</u>
Credit Card	\$25/\$100		\$750
Credit Card	\$125	\$25	\$1,150
Credit Card	\$150	\$25	\$2,000
Student Loan	\$180	\$30	\$3,500
Auto	\$305	\$125	\$5,600
Student Loan	\$335	\$30	\$6,000
Credit Card	\$385	\$50	\$10,020

Tips to Make the Process Effective

Stop adding to your debt

- Put the credit cards away
- Do not open any more lines of credit

Make a spreadsheet or a handwritten list of all your accounts

- Include the balances, interest rates and payment due dates
- Once you pay off a debt, update your list

When you free up funds from paying off one debt, do not use the funds as extra funds

- Extra monthly funds are to be added to the next debt.

Focus on ONE debt at a time

- Small wins will keep you motivated

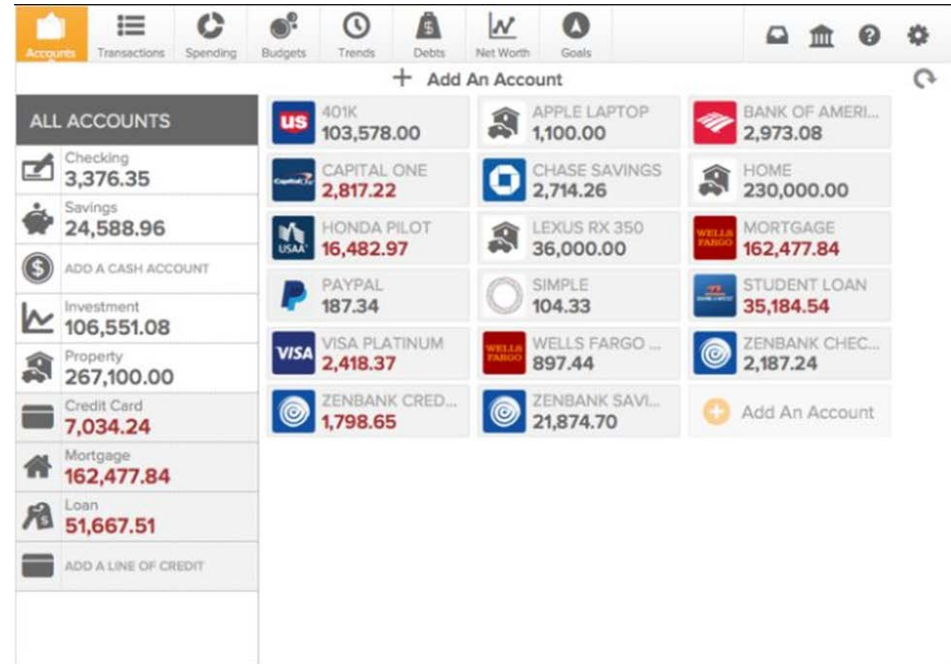
Tools for a Healthy Budget

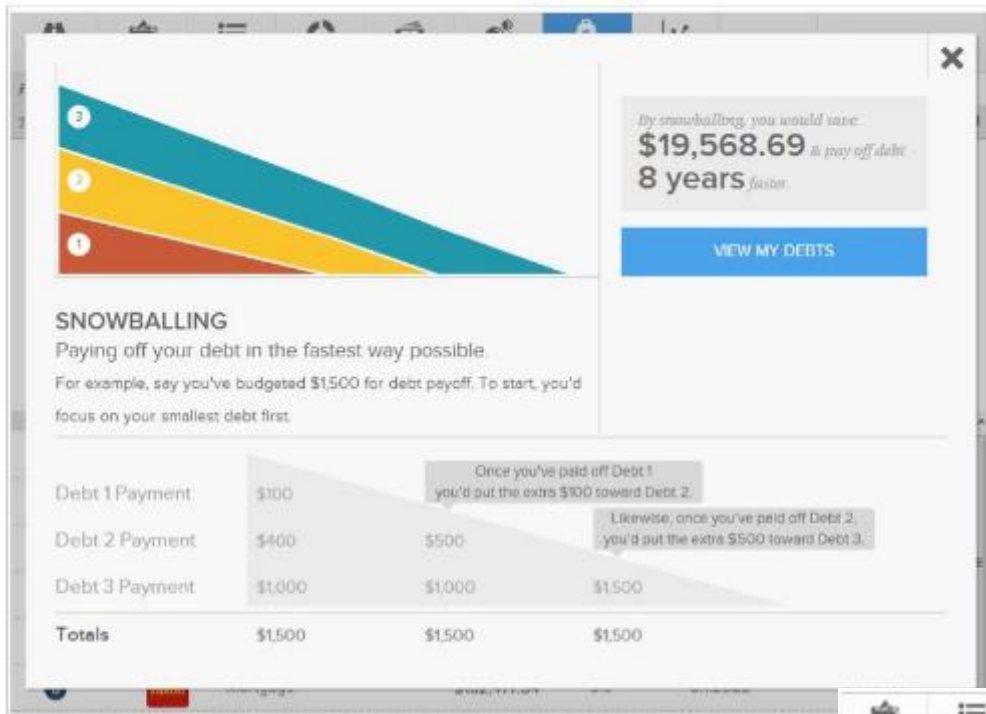
- Personal Financial Management Tools

Money Desktop

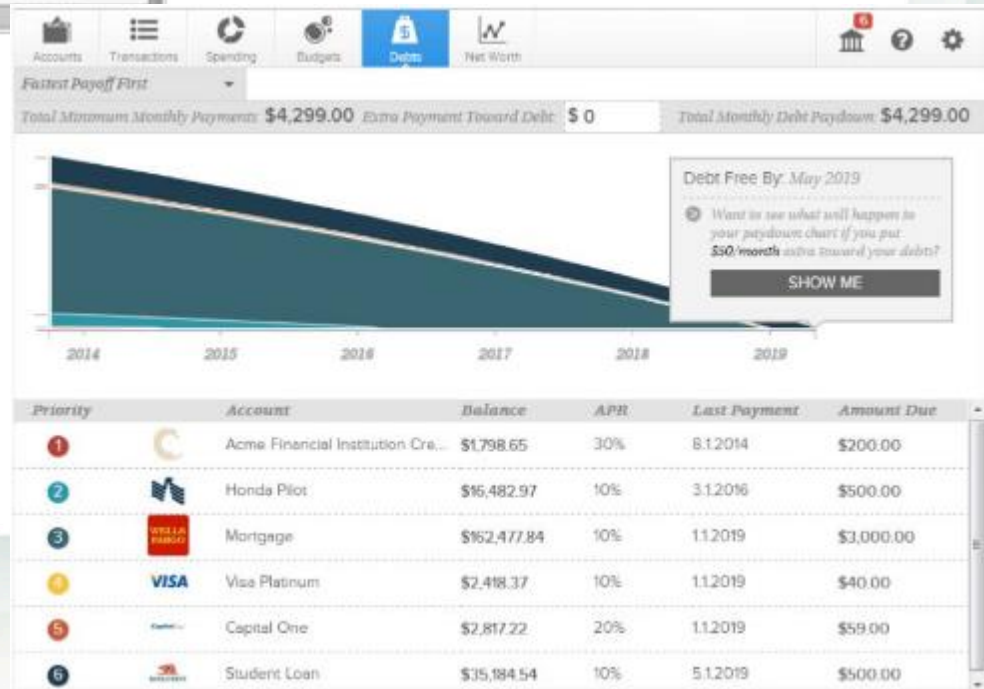
FREE to Mercy CU Members. Located in Online Banking

Money Desktop is a **Personal Financial Management tool**, that helps you **budget** and manage your finances. It allows you to import all of your accounts, across multiple institutions, so you can see your balances and transactions all in one place.



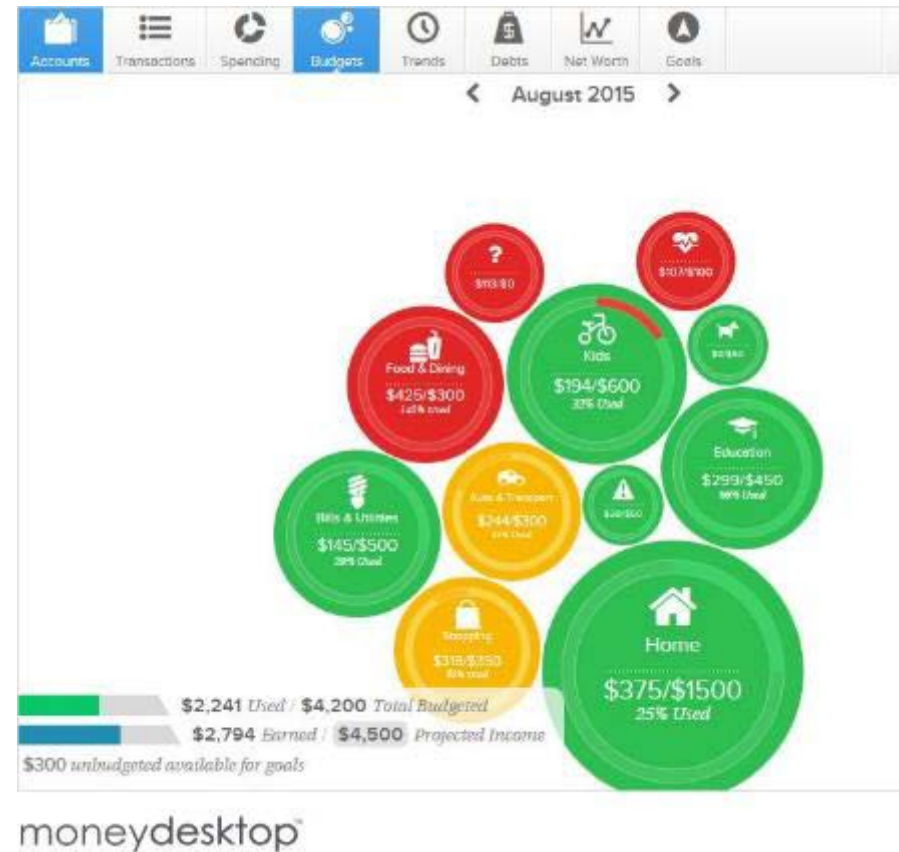


The Snowball Effect



Budgeting Expenses in Money Desktop

- Easy to use. Great visual aid.
- Set a budget for each different category
 - Subcategories i.e. Kids, subcategory daycare
- The bubbles have 3 different colors
 - Green, Yellow, Red
- Able to Customize budget



Budgeting Tips

- **Be Realistic**
 - The more realistic you are, the more likely you will stick to the budget
- **Estimate Low for Income, High for Expenses**
 - If this leaves you with extra income, great! Allocate it to another area
 - Estimating high for expenses gives you wiggle room for the unexpected
- **Review and Recalculate**
 - Communicate with your significant other
 - Where did you overspend? Where did you save? What can you do different next month? Reviewing your budget will help you stay on track
- **Pay Cash**
 - You'll be more conscious of what your spending money on
- Use **Personal Financial Management** tool like **Money Desktop**