

Understanding Credit Reports

What is Credit?

Your credit score is a number between 300–850 that determines a your "creditworthiness". The higher the score, the more likely you are to get loans for major purchases such as a house or car. Being up to date on credit payments will help slowly build your credit for when it's time to make a big purchase. It is important to start building your credit as soon as possible to make your adult years more productive.



Why Does It Matter?

Your success in managing credit is reflected in your credit report and score. Your credit report and score affect your ability to get credit and the terms/rates of that credit. It can also affect your ability to get a job and rent an apartment. A good credit score makes it easier to get approved for a credit card, get a new cell phone, buy a car or house, get a business loan, and more!

Example

\$15,000, new auto loan with 5-year term

FICO Score	APR (Interest Rate)	Monthly Payment	Total Interest Paid
720-850	3.7	\$274	\$1,467
660-689	6.7	\$295	\$2,702
500-589	14.5	\$352	\$6,122

How to Build Credit

Secured Credit Cards

Backed by cash deposits, secured credit cards give you a chance to borrow and pay back money with a safety net.

Credit-Builder Loans

These small loans—usually offered by community banks and credit unions—help people establish credit, and they work sort of like secured credit cards.

Authorized User Status

Someone who trusts you may be willing to add you on to his or her credit card as an "authorized user."

What Makes Up Your Credit Score

Payment History - 35%

Making payments consistently on time indicates responsibility.

Amounts Owed - 30%

A good rule of thumb is to always stay below about 25 percent of your credit limit. Generally, you only want to use 20-30% of your available balance. People with the best scores keep it to under 10%.

Credit History - 15%

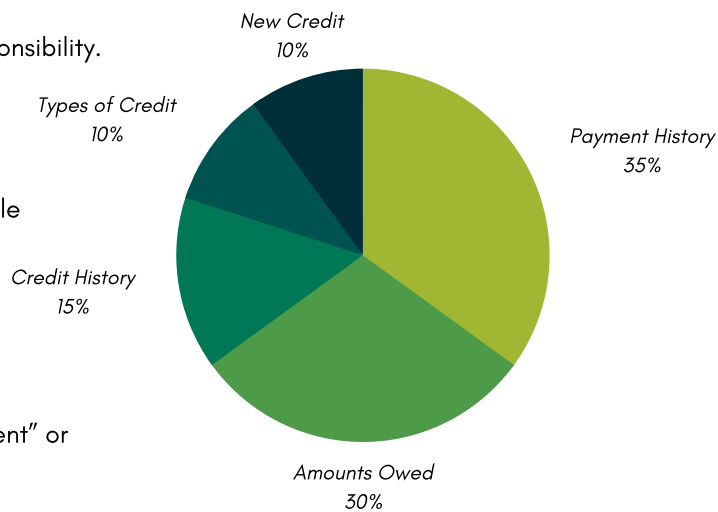
A longer credit history generally increases the score.

Types of Credit - 10%

Try to have multiple types of credit such as "Installment" or "Revolving" credit.

New Credit - 10%

This is credit lines or loans that you applied for that you did not have before.



Tips to Improve Your Score

- Pay your bills on time (at least make the minimum payment).
- If you have missed payments, get current and stay current.
- If you are having trouble, contact your creditors to create payment plans or to reduce how much you owe.
- Keep balance low on credit cards and other "revolving credit"
 - High outstanding debt can affect credit scores.
- Pay off debt rather than moving it around.



Take Action Today!

Visit our site to learn more about the Community College Credit Building Initiative. You can also call, text, or email us to schedule a free financial coaching session and begin your financial empowerment journey!

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