



# MAKE THE MOST OF YOUR CREDIT SCORE



Consolidated Credit Counseling Services, Inc.

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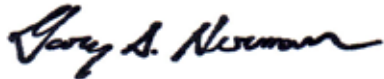
[www.ConsolidatedCredit.org](http://www.ConsolidatedCredit.org)

*Congratulations on taking this important step to learn about issues dealing with banking. Consolidated Credit Counseling Services, Inc. has been helping Americans across the country solve their credit and debt problems for more than a decade.*

*Our Educational Team has created over forty publications to help you improve your personal finances; many available in Spanish. By logging on to **www.ConsolidatedCredit.org** you can access all of our publications free of charge. We have the tools to help you become debt free, use your money wisely, plan for the future, and build wealth. The topics Consolidated Credit addresses range from identity theft and building a better credit rating to how to buy a home and pay for college. On our web site you will also find interactive credit courses, a “Best of the Web” debt calculator, a personalized budgeting tool, and much more.*

*We are dedicated to personal financial literacy and providing a debt-free life for Americans. If you are overburdened by high interest rate credit card debt then I invite you to speak with one of our certified counselors free of charge by calling **1-800-210-3481** for free professional advice. We also have partnership programs available where groups, businesses and communities can hold financial workshops and received free money management guides and workbooks like the one you are reading now. Please call **1-800-210-3481** if you would like to discuss pursuing a personal financial literacy program.*

*Sincerely,*



*Gary S. Herman  
President  
Consolidated Credit Counseling Services, Inc.*

## **What is a Credit Score?**

A credit score is a formula that is used to predict risk for lenders.

To create a credit score, analysts use information in credit reports, account histories, or applications. Their goal is to accurately identify the consistency of your timely paid accounts, as well as your delinquent accounts. The results of all this computing and analyzing, is a number that is your credit score.

Lenders use credit scores to help decide:

- Whether to issue a new account or loan.
- Raise the credit limit on an existing account.
- Decide what interest rate to charge on a new or existing loan.

Insurance companies use insurance scores (which are based on credit information, but calculated somewhat differently) to help them decide:

- Whether to issue new auto or homeowner’s policies.
- What rate to charge for those policies.
- Whether to renew existing policies.

Some employers use consumer scores (which are also based on credit information) to help them make hiring decisions.

There are different types of scores, Fair Isaac and Company, Inc. develops many of them. These are commonly referred to as “FICO scores.”

It’s important to understand that your credit score is never a single number. It can vary, depending on which of the three major credit bureaus supplied the credit information used to calculate it, what kind of loan is being considered, and what formula the individual lender uses to calculate it.

For example, mortgage lenders typically request a “tri-merge” credit report, which includes credit information and scores from the three major credit bureaus -- Equifax, Experian and TransUnion. Typically the credit score from each of those bureaus will vary so the lender will use the score that falls in the middle of the three when evaluating the loan.

Keep in Mind:

- Your credit score can change frequently as information is updated in your credit reports.
- Lenders may use different credit scoring formulas customized for their loan products when calculating your score.
- Credit scores are calculated using the information in your credit report, even if that information is not correct.

With a FICO score, the higher the number, the better the score. For example, a score of 700 is much better than a score of 600.

## What’s In A Credit Score?

There are five categories of factors that go into your credit:

<b>Payment history</b>	<b>35%</b>
<b>Amounts you owe</b>	<b>30%</b>
<b>Length of credit history</b>	<b>15%</b>
<b>New credit</b>	<b>10%</b>
<b>Type of credit in use</b>	<b>10%</b>

The two most important factors that go into your credit score are your payment history (have you paid your bills on time?) and the amounts you owe (how much debt do you carry?). Together, these categories make up about two-thirds of your credit score. That means if you want to improve your credit score, focus on paying your

bills on time and paying down debt. If you are having difficulties paying down your debt on your own, contact a credit counselor for free advice at 800-210-3481.

## How Can I Get My Credit Score?

You can usually purchase your credit score when you order your credit report, either through one of the major credit bureaus or through an online service that sells credit reports and scores to consumers. You can receive free credit reports annually by logging on to [www.annualcreditreport.com](http://www.annualcreditreport.com) or call toll free 877-322-8228.

It’s an excellent idea to check your credit report and find out what your score is at least 3 months before a major purchase such as a home or car to give yourself time to correct any mistakes or problems. Or you can contact the agencies directly:

### Equifax

Equifax Credit Information Services, Inc.  
P.O. Box 740241  
Atlanta, GA 30374  
1-888-766-0008  
Web site: [www.equifax.com](http://www.equifax.com)

### Experian

National Consumer Assistance Center  
P.O. Box 2002  
Allen, TX 75013  
1-888-397-3742  
Web site: [www.experian.com](http://www.experian.com)

## **TransUnion, LLC**

Consumer Disclosure Center

P.O. Box 1000

Chester, PA 19022

1-800-888-4213

Web site: [www.tuc.com](http://www.tuc.com)

## **How Long Will Negative Information Hurt My Credit Score?**

- Late payments can generally stay on your credit report up to seven years.
- Collection accounts and charge-offs can be reported for seven years from the date you first fell behind leading up to the collection account or charge-off.
- Bankruptcies may be reported for ten years from the date of filing, though the major credit bureaus will remove Chapter 13 bankruptcies (where you pay back some of your debts) seven years from the date of filing.
- Unpaid tax liens may be reported indefinite until the lien is paid. Paid tax liens may be reported for seven years.

Keep in mind that the older negative information becomes, the less of an impact it may have on your score; and new positive credit references can help improve your score, even if your credit report still contains negative information.

That's why it is important, if you've had credit problems in the past, to establish positive credit references to boost your credit score. That does not mean you should carry debt. If you can't qualify for a regular credit card, for example, you may be able to get a secured MasterCard or Visa, which requires a security deposit. Use it from

time to time for purchases you would make anyway and then pay the bill in full to avoid interest charges.

## **How Much Can A Poor Credit Score Cost?**

Your credit score will likely be a factor in the interest rate you are charged for loans. Here's an example:

A 4-Year Auto Loan for \$20,000

Excellent Credit Score (700 – 800): \$2,128 in total interest (at 5%)

Poor Credit Score (590 – 619): \$6,919 (at 15%)

In this example, the difference between an excellent credit score and a poor one is \$4,791 in interest!

## **Should I Close Old Accounts?**

Many consumers who review their credit reports find old credit card accounts they haven't used for years still listed as open accounts. You may think it's a good idea to close those accounts and have them listed on your credit report as closed. That's not necessarily the case. Fair Isaac Co. says that closing old accounts can't help your FICO credit score, and can only hurt it.

### **Why?**

Credit scores are based on information about how you've handled different types of credit over time. When you close out a lot of accounts, you may limit some of the information that could be helpful in predicting how you'll pay in the future. You may also shorten the average length of your credit history. When it comes to credit scores, a longer credit history is better.

Unless you have a specific reason for closing accounts — you're getting divorced for example, and want to close your joint accounts — you may want to leave your old accounts as they are.

## Credit Inquiries

Anytime a lender, creditor or employer checks your credit report, an inquiry is created. Although the number of recent inquiries is not a major factor in a credit score, too many inquiries in the last six months to a year can negatively impact your score so it's best to avoid applying frequently for new credit.

The following types of inquiries do not hurt your credit score:

- Consumer-initiated inquiries, which occur when you order your own credit report or score.
- Promotional inquiries, which are created when your file is reviewed for a pre-approved credit card or line of credit.
- Employment or insurance related inquiries.
- To avoid penalizing consumers who shop for mortgages or car loans, inquiries for these types of loans within a short period of time are grouped together and often count as a single inquiry. There is no such buffer, however, for inquiries generated by applying for credit cards.

## How Will Credit Counseling Affect My Credit Score?

Many people worry that their credit will be damaged if they enter a debt management program through a credit counseling service. In fact, their credit score may actually improve if they successfully stick to the repayment plan. There are several reasons for this, and they are listed on the next page.

- Fair Isaac Co., creator of the widely used FICO scores, does not consider the fact that a consumer is in a counseling program when calculating a credit score.
- Many creditors will not report anything to the credit bureaus that indicates that an account is being repaid through a counseling agency.
- Some creditors will “re-age” accounts that are behind when a consumer enters a counseling program and sticks with it for several months. That means the late payments immediately prior to beginning the counseling program may be removed.
- By entering a credit counseling program you may avoid further late payments, credit problems and even bankruptcy – all of which can significantly hurt your credit.
- If you successfully pay down your debt through a counseling program, your credit score can improve since the amount of debt you carry is one of the major factors in calculating a credit score.



*"I just want to personally thank you for taking your time and explaining everything to me in complete detail. I really appreciate that and I trust you with my money, which is really hard to do these days. We really like to shop and have everything, but most of all we're tired of working hard and paying too much trying to pay off what we didn't have the money for when we used our (credit) cards!!" - R.Y. Hartford, RI*







## About Consolidated Credit Counseling Services, Inc.

Consolidated Credit Counseling Services, Inc. is a consumer oriented, public education organization. We are an industry leader in providing credit counseling and debt management services throughout the United States, and a HUD Certified Housing Counseling Agency.

Our mission is to assist individuals and families end financial crisis and help them solve money management problems through education, motivation, and professional counseling.

We are dedicated to empowering consumers through educational programs that will influence them to refrain from overspending and abusing credit cards, as well as to encourage them to save and invest. We sponsor local free seminars that are also available to any group or organization that requests our educational services.

Our professionally trained counselors have assisted thousands of families across the United States. Regardless of whether your financial problems are due to the purchase of a new home, birth of a child, major illness, or any other circumstance, we can help.

Our organization is funded primarily through voluntary contributions from participating creditors. Our programs are designed to save our clients money and liquidate debts at an excellent rate.

Consolidated Credit Counseling Services, Inc. is a member of the Better Business Bureau, the United States Chamber of Commerce, the Greater Fort Lauderdale Chamber of Commerce, and the Association of Independent Consumer Credit Counseling Agencies.

# Now you can find FREEDOM FROM DEBT!

Consolidated Credit Counseling Services, a nationally recognized organization, will provide you with professional financial education, counseling and resources.

In addition, you can benefit from customized Debt Management Programs, which incorporate a bill consolidation plan to help you regain your financial freedom.



**Our professionally trained  
Certified Public Accountants  
will negotiate directly with  
your creditors to:**

- Reduce or even eliminate interest rates!
- Lower monthly payments by up to 50%.
- Eliminate late charges and over-limit fees.
- Consolidate debts into one lower payment.
- Help you pay off debt faster.
- Rebuild your credit rating.
- Save you thousands of dollars.
- Get you on a plan to be debt free!



Call today, and take your first step  
toward financial freedom!

**1-800-210-3481**

or visit [www.ConsolidatedCredit.org](http://www.ConsolidatedCredit.org)





# You can be **debt free**



## There is help waiting for you now.

- Reduce or eliminate interest charges.
- Consolidate credit card bills into one lower monthly payment.
- Pay off your debt in half the time.
  - Save thousands of dollars.



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