Housing & Education ALLIANCE
MAKING A DIFFERENCE ONE FAMILY AT A TIME

CREDIT GUIDE

YOUR MONEY
& Managing It

Money – most of us have trouble dealing with it. Since we receive very little education about managing our personal finances, our attitudes about money come mainly from our families. Many families are secretive about finances - wanting to protect their children from worrying about their financial security. Others promote the habit of saving money to their children – setting up savings accounts to grow through the years. Other families live beyond their means – "live for today" is their motto, worry about paying for it tomorrow. No matter what financial habits we learned from our parents, we eventually need to take responsibility for our own finances.

Sylvia Alvarez, Executive Director of Tampa's Housing and Education Alliance (HEA), came to the U.S as a child with her parents. "When my parents came to this country," she says, "They had to learn the new financial system of "credit" and they did not speak English. They worked hard for 9 years saving up the money they needed to buy their first home. Getting and maintaining good credit allowed them to get the mortgage they needed. They showed me by their example how to manage finances and how important it was to keep your word when using credit."

INCOME VS SPENDING

THE OXFORD DICTIONARY DEFINES INCOME AS:

Money received, especially on a regular basis, for work or through investments. The money that comes into our households determines our income. Budgeting to make sure that our income is spent to cover our necessities is an important step toward financial responsibility and independence.

SPENDING IS DEFINED AS:

Money that is used for a particular purpose. We can spend our money for rent, utilities, child care, groceries, transportation and many other necessary expenses. We can also spend money on electronics, restaurant meals, jewelry, vacations, and other non-essential expenses.

> Most of the time, we can figure out how to keep our spending under control in order to meet our financial obligations. However, some situations and purchases cost more than we can afford within the limits of our income. That's why it's important to understand Credit. "Many people don't take into account all the aspects of their lives that their credit impacts," HEA's Alvarez explains. "Having good credit is as good as having money in the bank. Good credit can affect many aspects of your life, not just being able to rent an apartment or buy a home, but the cost of insurance, employment and more."

CARCREDIT
GREAT CARS GUARANTEED CREDIT

What Is Credit?

CREDIT is simply an agreement to obtain goods & services before we pay for them, based on trust that payment will be made at a future date. Businesses want to know how you've handled credit in the past before they agree to extend their credit to you. In order to successfully borrow money or purchase items with credit, we all need to understand how credit works.
Credit reporting companies keep track of each person's credit transactions, receiving information about us from banks, retailers, and other businesses. In the U.S., the three largest credit reporting companies are Equifax, Experian and TransUnion – FICO summarizes the information from all three companies. These companies then create reports about each customer's spending & payment history and sell that information to businesses. That information is compiled into your CREDIT REPORT. A business looks carefully at your Credit Report when deciding whether to lend to you – and, at what Interest Rate. Your Interest Rate is what it costs you to borrow money. It's a percentage of the total amount borrowed. **The better your Credit is, the lower your interest rate will be.**

Your individual **CREDIT REPORT** shows lenders your bill-paying and loan repayment history. Your Credit Report will determine not only your ability to borrow money, it is also used to decide about your insurance rates, your utilities deposits and costs, your ability to rent an apartment or home, and even things like employment decisions

Credit Reports include information like your name, birth date, current and past addresses, phone numbers, and your social security number. Your Credit Report will also show the details of all your current and past accounts. Your Credit Report determines your CREDIT SCORE.

Credit Score

Based on your credit reports, you will be given a three-digit credit score, or FICO Score, by the credit-reporting companies. Your score helps lenders determine how likely you are to repay a loan. It measures how long you've had credit, how much credit you have, how much of your available credit is being used, and if you've paid on time. A good FICO Score helps you save thousands of dollars in interest and fees. Lenders and businesses will offer lower rates if you have proved that you are less of a risk for them.

SO, WHAT IS A GOOD CREDIT SCORE? THIS CHART, PROVIDED BY FICO, SHOWS THE RANGE OF CREDIT SCORES AND HOW THESE SCORES ARE VIEWED BY THE BUSINESS COMMUNITY.

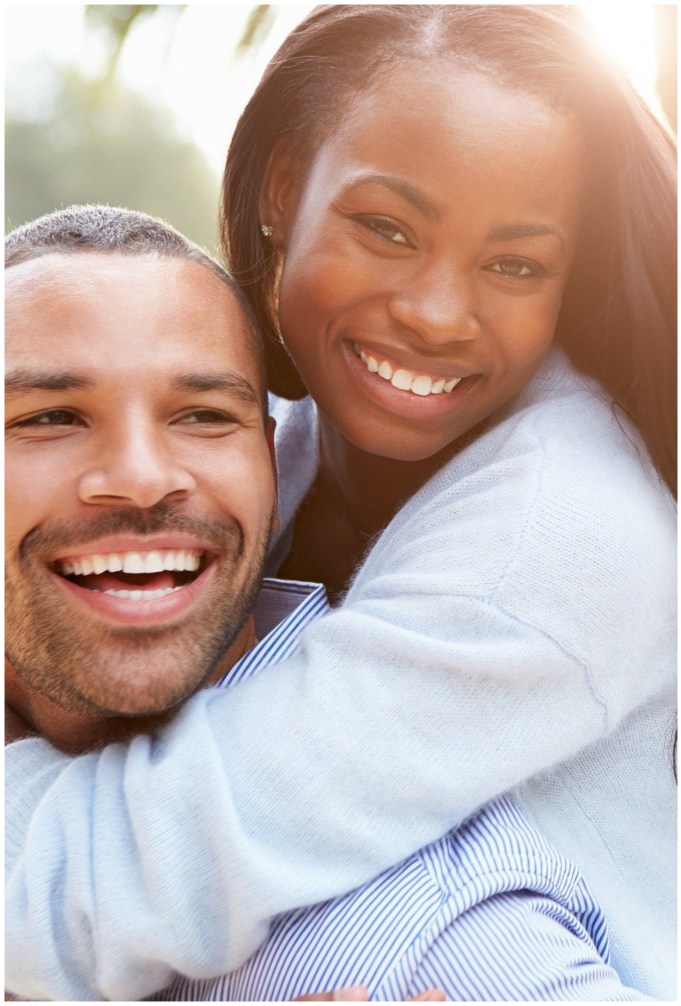
FICO Score Ranges	Rating	Description
<580	Poor	Your score is well below the average score of U.S. consumers and demonstrates to lenders that you are a risky borrower.
580-669	Fair	Your score is below the average score of U.S. consumers, though many lenders will approve loans with this score.
670-739	Good	Your score is near or slightly above the average of U.S. consumers and most lenders consider this a good score.
740-799	Very Good	Your score is above the average of U.S. consumers and demonstrates to lenders that you are a very dependable borrower.
800+	Exceptional	Your score is well above the average score of U.S. consumers and clearly demonstrates to lenders that you are an exceptional borrower.

Source: myfico.com

Who May Request My Credit Report?

The Fair Credit Reporting Act (FCRA) allows credit reports to be sent to creditors, government authorities, landlords, employers, and other businesses authorized to use the report.

The FCRA also permits a credit reporting company to send your credit report in response to: Court orders, subpoenas, child support cases, and inquiries from investors and insurers.



Know Your Credit Score

Because your Credit Score is one of the most important factors of your financial life, it's important that you know and understand your own credit score. Here are some common ways to get your Credit Score:

CREDIT CARD AND LOAN STATEMENTS

Some companies keep you informed of your credit score - either on your monthly statement, or by logging in to your account online. Every month you pay on time, you can watch your credit improve.

NON-PROFIT COUNSELORS

Non-Profit Credit Counselors can provide you with a credit report that is a "soft pull." That means when they pull your credit report it doesn't negatively impact your credit. Anytime a company pulls your credit report, your score will go down a few points. Be very cautious when letting someone pull your report.

CREDIT SCORE SERVICES

Many services and websites advertise a "free credit score." Some do not charge a fee. Others give you a free trial period and then require you to pay for continuing the service.

BUY A SCORE

You can buy your score directly from the credit reporting companies. You can buy your FICO credit score at myfico.com. Once a year, you can get your Credit Report for free at www.freeannualcreditreport.com.

The Secrets To Good Credit

So, we've established that Credit is important…the question is, "What can you do about yours?" There are a few tried-and-true ways to help.

ALWAYS PAY YOUR BILLS ON TIME.

The Number 1 way to build credit is with on-time payments.

THE MORE CREDIT HISTORY YOU HAVE, THE BETTER.

Showing over time that you get and pay for credit responsibly increases the likelihood that businesses will extend credit to you. A tip from Sylvia Alvarez is to "consider your credit score to be your "financial power." The better the number, the more options—or power—you'll have.

DEBIT CARD OR CASH PAYMENTS DO NOT HELP BUILD YOUR CREDIT SCORE.

Buying things with cash or your debit card doesn't build a payment history that will be reported to the credit reporting companies. Without some credit history, lenders will be less likely to take a chance on you for future purchases.

YOU NEED TO GET SOME KIND OF CREDIT, BUT YOU MAY NOT QUALIFY FOR A CREDIT CARD.

There are other options:
***Secured card accounts,** Some banks and credit unions allow you to pay ahead for your credit card. Usually, your credit line starts out small and increases as you make on-time payments. Secured cards can be expensive and include a wide range of fees.

***Car Credi**t has a unique program to qualify you for credit if you have no credit history or are struggling with a low Credit Score. Your auto loan from Car Credit gives you the opportunity to create or repair your credit.

USING A CREDIT CARD TO PAY BILLS DOES HELP BUILD YOUR CREDIT.

Paying off your credit card balance on time every month will build credit. Remember you pay a finance charge on your balance every month, so you want to keep that balance low.

PAY ATTENTION TO YOUR CREDIT LIMIT.

Your credit score will suffer if you carry big balances and get "maxed out" on credit cards. Experts suggest using no more than 30% of your total credit limit – so, if you have a $1000 limit on your card, keep your monthly balance around $300.

DON'T APPLY FOR TOO MUCH CREDIT.

Your credit score will go down if you apply for or open a lot of new accounts – even if you are transferring balances or the new cards sound like great deals.

KEEP AN EYE ON YOUR CREDIT REPORTS.

You can get a free copy of your credit report every year by going to **www.annualcreditreport.com**. You may find false information that is hurting your score. If you do, file a dispute with the credit-reporting company.

Affordable on-line **Homebuying Education**, such as **HomeTRACK**, offered locally by The Housing and Education Alliance, helps you navigate the complicated process of buying a home – choosing a realtor, lender, and a house that is right for you. With a certificate of completion, you may be eligible for $30,000 or more toward a down payment on a home. **www.Hometrackonline.org**

BUYING A USED CAR FROM CAR CREDIT CAN HELP.

While helping put you and your family in a safe car, Car Credit acts just like a bank, financing your car no matter what your credit history has been in the past. Car Credit caters to first-time car buyers. They will provide an auto loan to any client, GUARANTEED regardless of foreclosure, bankruptcy, or even if you are new to the country. Steve Cuculich, owner of Car Credit, understands financial hardship from his youth. "Working hard for everything I've achieved helps me appreciate life and what I can do for others," Steve says, "If you're in a position to do something for others, you always should."

Maintaining an on-time Payment History at Car Credit for two years will improve your Credit Score and reduce your interest rate. Then, you will be eligible for other opportunities such as home ownership with the help of The Housing Alliance! Remember what Sylvia Alvarez says, "You have to have a lot of patience; there is no quick fix."