

**A4TD**

**Network To Work  
Financial Literacy  
Series**

**Presented by Cody Fiala**





# Introduction to Cody Fiala

- ▶ Certified Credit Union Financial Counselor
- ▶ Employed at Opportunities Credit Union
  - ▶ Vermont nonprofit focused on helping people improve their financial strength & stability
  - ▶ Branches in Burlington & Winooski, VT
  - ▶ Outreach & Services provided throughout Vermont
  - ▶ **Counseling available to non-Vermont residents**
- ▶ Decades of professional experience at VT nonprofits
  - ▶ Education financing & loan repayment counseling
  - ▶ Data analysis
  - ▶ Revenue & expense projections
  - ▶ Manage Operational Budgets & Personnel

# A4TD Network To Work Meetings

## Financial Literacy Series

### December 2021

- ❑ Overview of Presentation Series
- ❑ Introduction to **Banking**

### January 2022

- ❑ Personal **Budget**: Building a Budget
- ❑ Using a Budget to Save Money & Reach Your Financial Goals

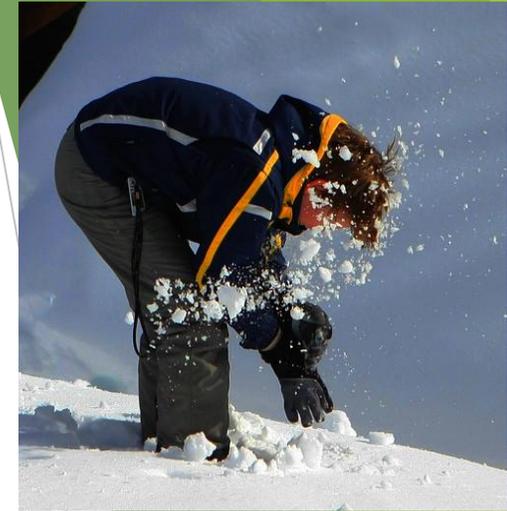
### February 2022

- ❑ **Credit**: Understanding Credit Reports & Scores
- ❑ How to Strengthen Your Credit Report to Save Money

### March 2022

- ❑ **Fraud Awareness**: Protecting Yourself
- ❑ Protect Personal & Financial Information + Your Money

# Credit



**Costs | Benefits | Help Options**

**Credit Cycle**

**Credit Report**

Access

Understand

Review

Act on Any Inaccuracy

**Credit Score**

Understand

Strengthen Options

**...to save money**

# Credit: Costs & Benefits





# Higher Score Lower Cost



*Example: \$5,000 Installment Loan @ 5 Year Term*

Credit Score	Credibility Level	Interest Rate	Monthly Payment	Total Paid
750	Good	10%	\$106	\$6,374
650	Fair	20%	\$132	\$7,948
600	Low	30%	\$162	\$9,706

**Higher Credit Score**

→ **Lower Interest Rate**

→ **Less Expensive Credit**





# Minimum Payment = Maximum Cost



**Example: \$1,000 Balance @ 18% Interest Rate**

**Nothing else is purchased with this credit card**

Monthly Payment	Total Paid	Years to Pay Off
Minimum required ( \$30 → \$15 )	\$1,698	7 Years + 8 months
\$30	\$1,397	3 Years + 11 Months
\$50	\$ 1,198	2 Years

**Pay More Monthly = Lower Cost Totally**

# Debt Unpaid

## Delinquent

- Days Past Due: 0 / 30 / 60 / 90 / 120 +
- Months Past Due: 0 / 1 / 2 / 3 / 4 +

## Charge Off

- Creditor Writes-Off as a Loss
- *Still Owe the Debt*

## Collections

- Creditor Sells to a Debt Collector
- *Owe the Debt + Fees*

# Debt Overwhelming?

## **Develop a Budget**

### **Seek Non-Profit Help to Develop a Budget**

Local Credit Union offering certified credit counseling

## **Negotiate with Creditors**

Get payment agreements in writing

## **Carefully Explore Accredited Non-Profit Debt Management Programs**

Access to counselors: Where | When | How

Fees: Amount | Transparency

Approach & Impact on your Credit & your Budget

## **Carefully Consider Bankruptcy**

Certain debts forgiven | Property may be seized

Collection efforts stop

Ten years on Credit Report

New credit is difficult & very expensive

# Strengthen Your Credit

## Secured Credit Card

- Requires cash deposit setting card limit
- Deposit used if borrower fails to pay bills

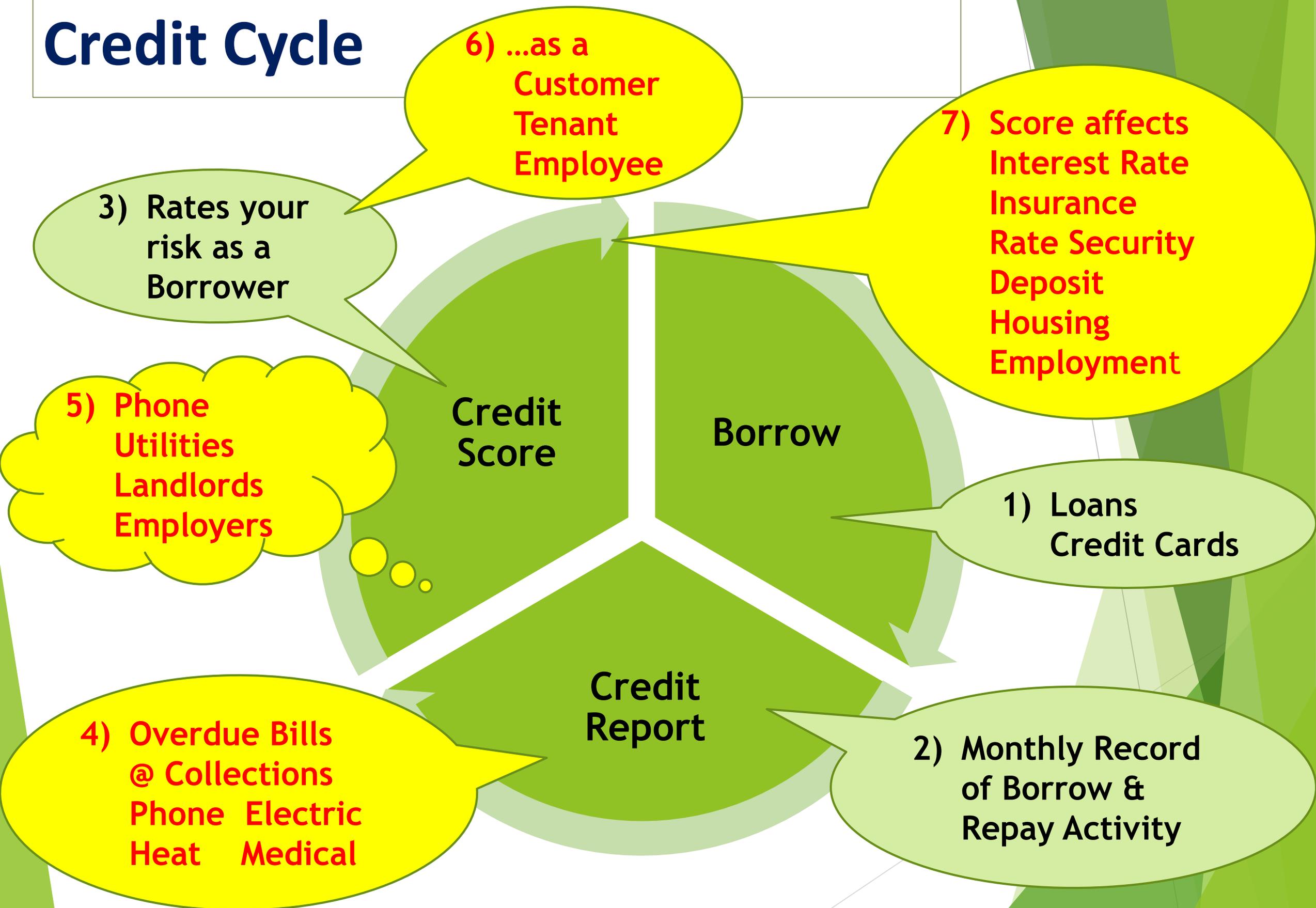
## Credit Builder Loan

- Start repaying when the loan is opened
- Receive funds when loan is fully paid

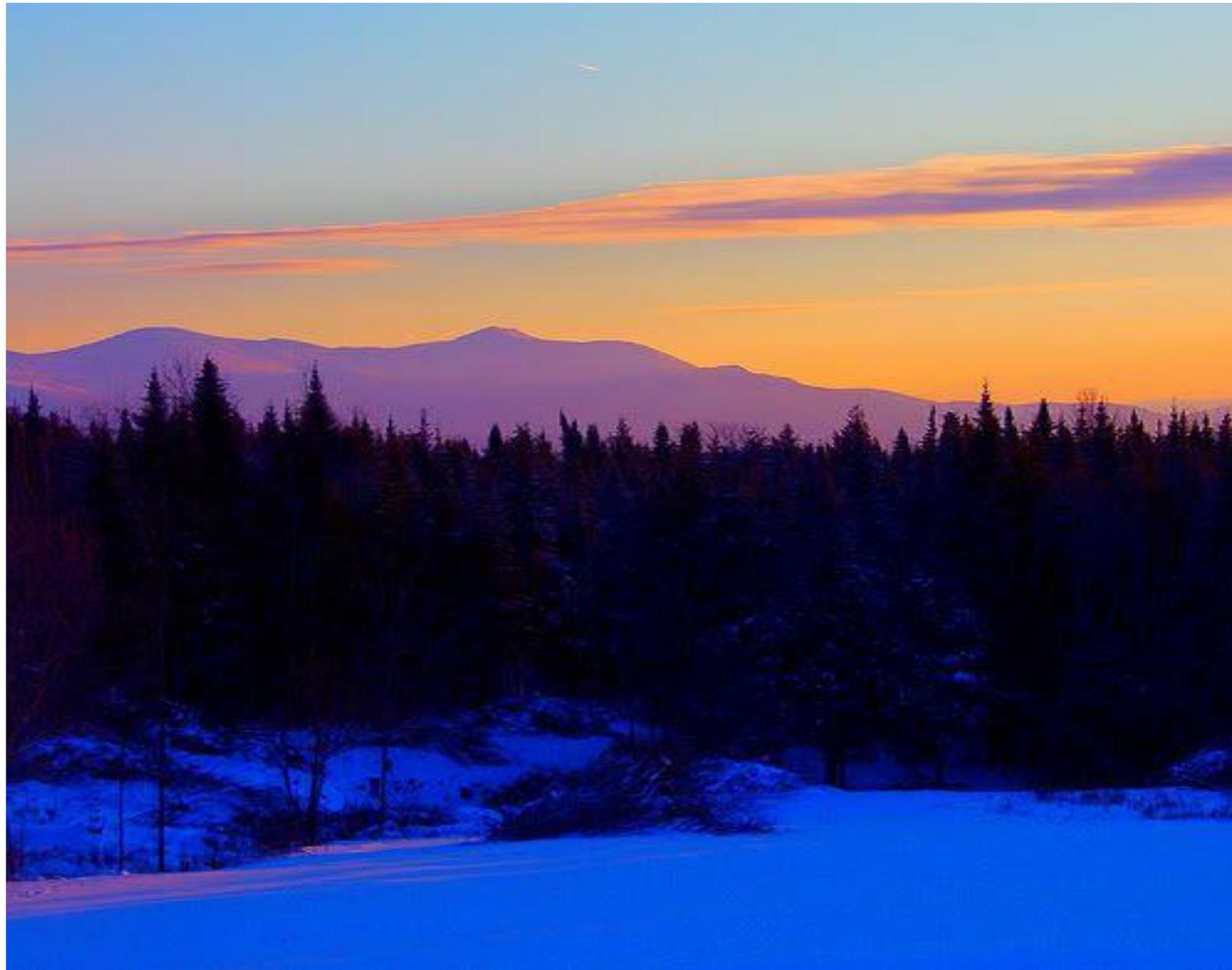
## Authorized User

- Added to another person's credit account
- Beware their late payment affects you

# Credit Cycle



# Questions about the Material Covered So Far?



# Credit Report = Activity & History

Borrowing & Repayment Activity is Reported to three Credit Bureaus:



Who Reports:

- ▶ Lender
- ▶ Loan Servicer
- ▶ Credit Card Company
- ▶ Debt Collector
- ▶ *Some landlords*

# Credit Report: *Check Yours*

**Review**

**Accuracy**

**Co-Signed Debt**

**Indicators of Identity Theft**



***Protect Your Credit Report***

***Protect Your Credit Score***

***Protect Your Money***

# Credit Report: *Get Yours*

AnnualCreditReport.com || 877-322-8228

- Experian || Transunion || Equifax
- **Each FREE once per year**
  - *Weekly through the pandemic*
  - **Special circumstances allow more frequent access**
  - [www.consumer.ftc.gov/articles/free-credit-reports](http://www.consumer.ftc.gov/articles/free-credit-reports)

**Potential differences among reports**

# Credit Report: *Know yours*

1. Identifying Information
2. Tradeline Detail
3. Summary
4. Public Records
5. Inquiries
6. Contact Information

# 1. Identifying Information

## Your Personal Information

Name + Alternate & Previous

Birthdate

Social Security Number

Addresses, Current & Previous

Employers, Current & Previous



**NOT on Credit Report:** Gender, Race, Ethnicity, Marital Status, Health, Religion, Education, Salary, Savings, Criminal Record

## 2. Tradeline Detail



### Open Lines of Credit

- Creditor | Credit Type | Date Opened | Last Active
- \$ Limit | Loaned Amount | Balance | Loan Period
- Payments: On Time | How Late

### Accounts Placed in Collections

- Balance | Type | Collection Status
- Original Creditor



### Closed Lines of Credit

- Repayment activity while it was open
- Remains 7 years if (-) | 10 years if in good standing

# 3. Summary

For each type of credit (Revolving, Mortgage, Auto, etc)

Total: # | Debt | Monthly Payment | Past Due

Oldest Tradeline

Amount of **Credit Owed** versus **Credit Available**

**Derogatory Summary**

**Total #:**

Delinquencies | Charge offs | Collections

Bankruptcy | Public Records

**Inquiries**

# 4. Public Records

Financial proceedings through the courts

Most remain for 7 years on Credit Report

Examples:

Foreclosure

Repossession

Bankruptcy

*Chapter 7 remains for 10 years*

# 5. Inquiries



**“Hard” Applying for Credit**  
*Lowers your score*

- **Loan application**  
Mortgage | Auto | Personal
- **Credit Card Application**
- **Retail Store Card Application**
- **Request Credit Limit Increase**
- **Some Apartment Rental Application**
- **Some Utility Companies**

**“Soft” Looking at Credit**  
*No effect on score*

- **You Request Your Credit Report**
- **Non-Profit Credit Counselor**
- **Credit Monitoring Services**
- **Potential Employer**
- **Insurance Applications**
- **Current Creditors Reviewing**
- **Pre-Approved Credit Offer**

# 6. Contact Information

For each business in the Tradelines section

**Creditor**

**Collection Agency**

**+ Credit Reporting Agency**

- **Business Name**
- **Address**
- **Phone Number**
- **Website of Credit Reporting Agency**

# Credit Report: Inaccuracy?

## Action: Dispute Process

Contact each Credit Reporting Agency that has error(s)

Write Letter or Complete Online Form

1. Your full name & address
2. Information you dispute & why
3. Correction you request
4. Copy of trade line report you dispute
5. Copy of documents supporting your dispute

[www.consumer.ftc.gov](http://www.consumer.ftc.gov)

[www.consumerfinance.gov](http://www.consumerfinance.gov)

# Credit Report: Sign of Identity Theft?

## Action:

1. Change Your Online Account Passwords
2. Contact All Financial Institutions & Credit Cards
3. Contact Each Credit Reporting Agency
  - File a Dispute
  - Place Fraud Alert
  - Consider Credit Freeze

[www.IdentityTheft.gov](http://www.IdentityTheft.gov)

[www.consumer.ftc.gov](http://www.consumer.ftc.gov)

[www.consumerfinance.gov](http://www.consumerfinance.gov)

# Credit Report: Questions?



# Credit Score = Risk

*NOT your value as a human being*

- Analysis & Calculation of Credit Report Activity & History
- Changes as Credit Activity Changes & Credit History Ages



# Credit Score: How to Access

- ❖ Score will vary a bit across sources
- ❖ Credit Reporting Agencies offer access: free & cost

## Free

Ask your current Credit Union or Bank

Ask your Credit Card or Lender

Non-profit Credit Counselor

## Free, but...

Credit Karma || Credit Sesame ...*advertisements*

Credit Monitoring Service ...*beware "free trial"*

## Purchase

Directly from Experian || Equifax || TransUnion

myfico.com

# Credit Score: Your Actions Affect It

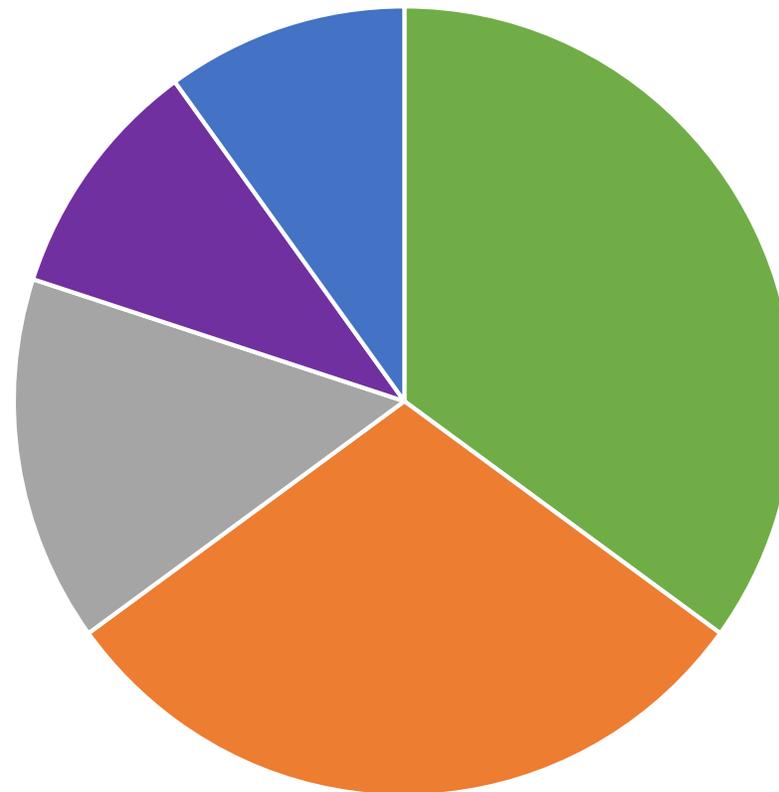
**1. Timeliness of Payments**

**2. Amount of Debt**

**3. Length of Credit Use**

**4. Frequency of Applying**

**5. Variety of Credit**



# 1. Timeliness of Payments



## Each Payment

On Time?

Overdue?

## If Overdue

How Late?

How Often?

# 1. Timeliness of Payments

## Protect Your Credit

*Bill Coming Due &*

*You Can't Pay By the Due Date?*



### 1. Contact the Creditor

Explain Your Situation

Express Your Intention of Honoring your Commitment

### 2. Ask for Assistance

Short term suspension or reduction of monthly payment

Long term refinance or modification

### 3. Build a Budget to Help You Get Back on Track

## 2. Amount of Debt



**How much of your available credit are you borrowing?**



**Tip: Borrow 30% or less of your available credit. Less is Better.**



**Control Your Total Amount of Debt**

### 3. Length of Credit Use



**When did you 1<sup>st</sup> open a credit card or borrow a loan?**

**How old – or new – are your credit trade lines?**

# 4. Frequency of Applying



## INQUIRY

Each application you submit for credit  
Indicates risk especially if credit cards



## LOAN RATE SHOPPING

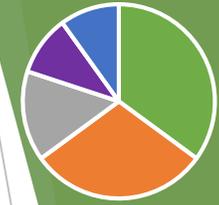
Auto, Mortgage, NOT Credit Cards  
Within 2 week period  
Generally counted as 1 Inquiry



## INQUIRY

Affects credit score for 1 year  
Remains on credit report 2 years

# 5. Variety of Credit



## INSTALLMENT



### Fixed Terms

Loan Amount

Monthly Payment Amount

Interest Rate

End Date

**Auto | Mortgage | Education**

## REVOLVING



### Changeable Terms

Amount Owed

Monthly Payment Amount

Interest Rate

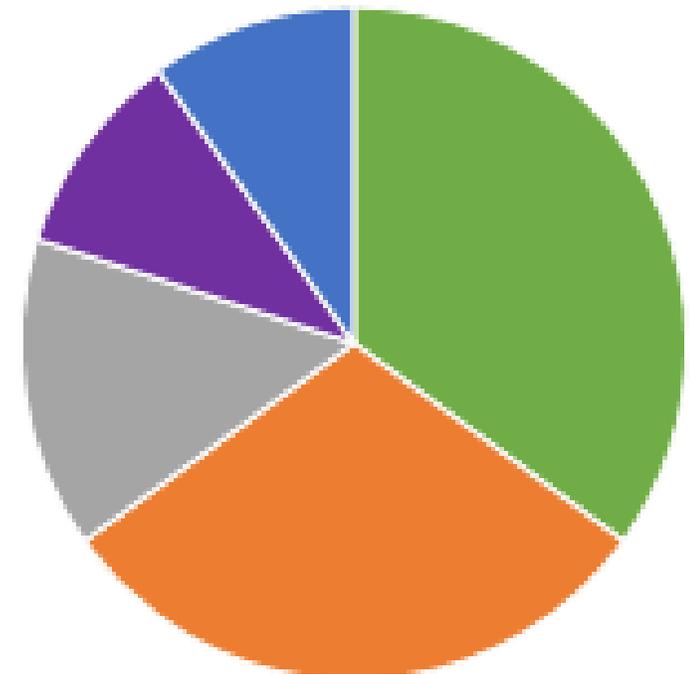
Credit Limit

**Credit Card**

# Credit Score: Questions?



- 1. Timeliness of Payments**
- 2. Amount of Debt**
- 3. Length of Credit Use**
- 4. Frequency of Applying**
- 5. Variety of Credit**



***Thank you for your time***

**Questions?**



**For Confidential Questions & Financial Counseling**

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