

ACFCU

ATLANTIC CITY FEDERAL CREDIT UNION

CREDIT SCORE GUIDE

WHAT IS A CREDIT SCORE?

A credit score is a number that shows a person’s creditworthiness based upon payment history and current obligations. The higher the score, the better a person is viewed by potential lenders. The lower the score, the more unfavorable a lender views that person for credit.

This score is comprised of many factors including but not limited to: number of open accounts, repayment history, credit utilization, current levels of debt, and additional factors. Overall, this score is used to make decisions on loan applications, assign interest rates, and mitigate risk to the lending institution.

The current credit score model was created by the Fair Isaac Corporation (FICO) and is widely used by financial institutions. Although other scoring systems exist, FICO is used in most major credit bureaus (Experian®, TransUnion®, Equifax®).

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STEPS TO BUILDING OR REBUILDING YOUR CREDIT

1

PAY ON TIME

Your payment history is the single biggest factor affecting your score. To rebuild your credit, you need to show an improvement and the best way to do so is to manage your payments and to show the willingness to pay on time.

Late Payments can stay on your credit report for up to seven years. Due to this, late payments can affect your credit score for much longer than other missteps.

For credit cards, if you can only pay the minimum for now that is fine. If you see that it is not possible to pay the minimum on credit cards or to pay the full payment amount for your loan, contact your creditor or financial institution to see if other short-term arrangements can be made to help maintain your score and prevent late payments.

If some payments or bills have already gone to collections, really focus on the ones that are still open. You may receive calls from collectors, but items in collections aren't the top priority for you right now if you are looking to improve your score. Focus on your current obligations and make sure those payments are paid and on time.

2

CREDIT UTILIZATION

Credit utilization is a percentage of how much of your credit limits you are using. Say, for example, that you have one credit card that has a limit of \$5,000. Your current balance is \$2,000 on that card. You are using 40% ($\$2,000/\$5,000=.40$) of your available credit.

Credit utilization has a very large impact on your score falling only behind paying on time. Most lenders agree that you should try to keep your credit utilization below 30%. Like our example above, this would mean you should keep your balance below \$1,500.

Try calculating your current credit utilization for all of your credit cards.

Try paying down the highest balance cards first to improve your credit utilization. Your creditors will update the credit bureaus once a month. When your balances are decreased, you will see an improvement in your score.

The good news is, your score will not be impacted by past high credit balances. This means, paying your credit cards and credit lines down can be one of the fastest and easiest ways to improve your score! If you're current on all your payments, you can call and ask for an increase in your credit limits. This will help reduce your credit utilization or percentage for even faster credit score growth.

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GET A SECURED LOAN

If your credit lines or loans have been closed due to being past-due or you are establishing credit for the first time, you may consider starting or re-establishing credit through a secured loan. This loan is borrowed against funds you already hold in a deposit or share account. The credit union will place a hold on these funds and release that hold once the loan is fully repaid or release them in increments as the loan is repaid.

This loan and the payments are reported to the credit bureaus so it can be advantageous in building your credit score back after an unfavorable history. Just ensure that each payment is made on time for the best possible reporting.

4

BECOME AN AUTHORIZED SIGNER

Another way to establish or re-establish credit is by becoming an authorized signer on a loved one's credit card. Your credit can benefit from their payment history or use. The benefits are that you have no obligation to repay this debt, you do not have to even access the account to increase your score, and being an authorized signer is not dependent on your current credit score.

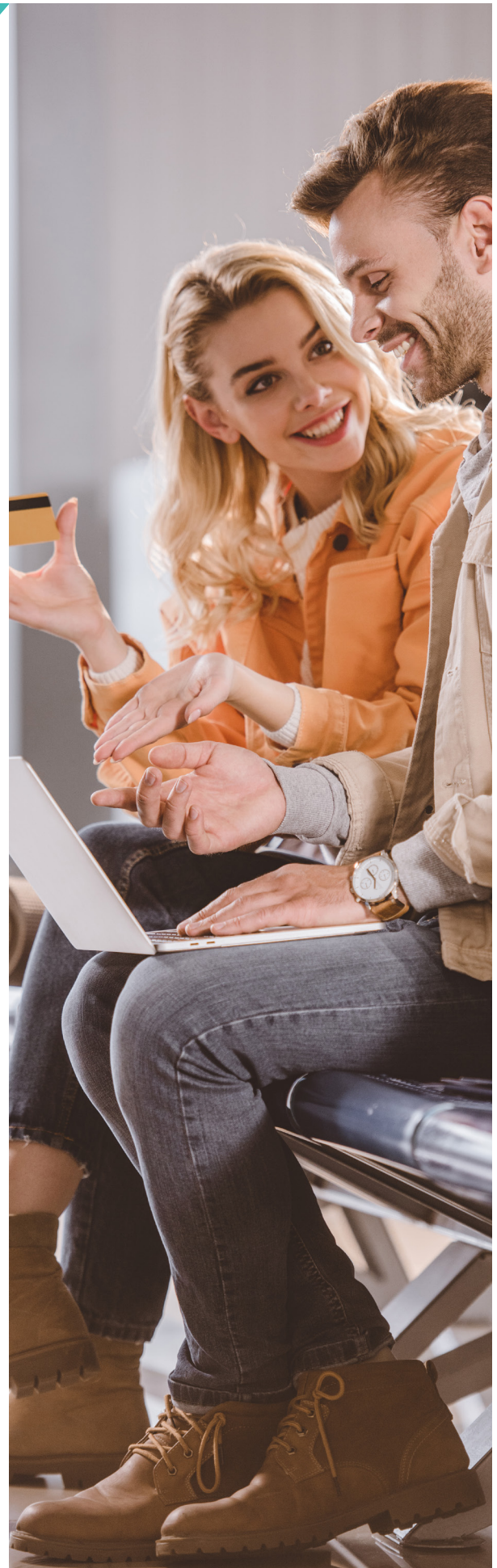
The potential negatives are that although your score can increase by being added as an authorized signer if the cardholder doesn't pay the bill on time or is unable to pay for an extended time, your credit score could in turn suffer because of it.

5

ASK FOR A CO-SIGNER

One option to gain access to credit to help build your score may be to ask a loved one or family members to be a cosigner. Oftentimes, this is a difficult request to ask or receive as the co-signer is guaranteeing your loan in the event you are unable to pay. They are essentially putting their reputation and creditworthiness on the line for you. Also, it may impact their ability to get more credit in the future as your debt and the monthly payment will play a factor in their credit applications.

Be careful with this option as the credit score impact could be beneficial or severe for you both.



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6 DISPUTING ITEMS ON YOUR CREDIT

It is advisable to review your credit report periodically for a few reasons. One being, to ensure you are not the victim of identity theft. Secondly, to ensure what is being reported is accurate.

Luckily, you can review your credit report once a year. You must simply request a copy, verify your identity, then access your report either online or one can be provided via mail. Go to annualcreditreport.com to request yours today or call 1-877-322-8228.

Take time to review and ensure your credit report is accurate. If you notice items that may be inaccurate or incorrect, you can file a dispute to get this corrected.

First, write to the credit reporting agency (Equifax®, Experian®, or TransUnion®) and tell them what items you feel are incorrect to dispute.

Include copies (not originals) of statements or proof that support your position.

Second, write to the creditor that is reporting the information (your bank, credit union, or credit card company) to let them know that you are disputing the reporting. Again, include copies (not originals) of the statements or proof that support your position.

If the creditor continues to report the items that you disputed, let the credit reporting agency know. Once the investigation is complete, your credit report will be updated to reflect the correction if your dispute is found to be accurate.

7 KEEPING MY CREDIT SCORE HIGH

After you've completed the steps above, you should be well on your way to a higher credit score. To keep your credit score as high as possible, meet with an Atlantic City FCU lender to discuss the best option for you. Each person's credit report is as unique as they are and needs a tailored approach that fits their lifestyle, budget, and most importantly, their goals.



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This credit union is federally insured by the National Credit Union Administration and is an Equal Housing Lender.