

La Terre



Federal Credit Union

Financial Literacy

Understanding Credit

Important information

- ▶ Can I have more than one credit score?
 - ▶ Yes. There are 3 major credit reporting agencies: Equifax, Experian, and TransUnion.
- ▶ What is the credit score range?
 - ▶ 300-850
- ▶ Can a late payment affect my credit score?
 - ▶ Yes. Up to 90 points
- ▶ I am thinking about filing bankruptcy, will that affect my score?
 - ▶ Yes. Up to 200 points
- ▶ What is a “safe” limit to stay at on my credit card?
 - ▶ You should keep your credit card balance at 30% or less. However, it is always best to pay it off in full each month.
- ▶ Who can obtain a copy of my credit report?
 - ▶ Lenders, insurance companies, employers, and others you want to see how you manage your financial responsibilities. You do have to give permission for anyone to pull your credit report.

How long can negative information stay on your credit report?

- ▶ Bankruptcy 10 years
- ▶ Foreclosure/Repo 7 years
- ▶ Lawsuits and judgements 7 years or longer
- ▶ Charge offs 7 years
- ▶ Collections 7 years
- ▶ Late Payments 7 years

The cost of credit....

- ▶ When you compare the average interest costs on a typical loan for a home, car, and personal loan, members with excellent credit can save **\$46,614** over a lifetime.
- ▶ **Average lifetime cost**
 - ▶ 750-850 score
 - ▶\$190,892
 - ▶ 700-749 score
 - ▶\$201,525
 - ▶ 640-699 score
 - ▶\$216,688
 - ▶ 350-639 score
 - ▶\$237,505

Based on over 400,000 members with accounts reported from January - July of 2019, using these average amounts and terms: auto loan \$22,790 for 6 years; personal loan of \$7,270 for 3 years; mortgage \$240,000 for 30 years.

Comparison of the Cost of Credit

Two members want to purchase the same \$20,000 car. One has a 700 credit score and the other a 400 credit score. They both get approved for a 60 month loan. How does their credit score affect their loan?

- ▶ 700 credit score member
 - ▶ 3% interest rate
 - ▶ \$359.39 monthly payment for 60 months
 - ▶ pays \$21,563.40 after interest
- ▶ 400 credit score member
 - ▶ 13% interest rate
 - ▶ \$455.15 monthly payment for 60 months
 - ▶ Pays \$27,308.33 after interest