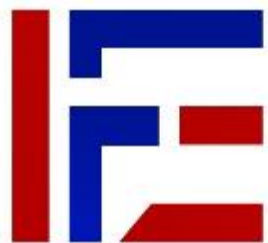


Improving Your Credit



THE INSTITUTE FOR FINANCIAL EDUCATION
A NON PROFIT ORGANIZATION

Magellan
HEALTHCARE.

Objectives

- Explain why credit is so important
- Understand your FICO
- Learn about credit restoration
- Explain debt rebalancing
- Describe key steps to rebuilding your credit
- Discuss how to repair credit after bankruptcy

What Is Credit?

Pros

Purchases

Builds credit

emergencies

Cons

Interest

Temptations

Over-extending

Creditworthiness

Collateral

Capacity

Character

What's In A Credit Report?

Personal information

Account information (aka Tradelines)

Inquiries

Collections

Public record information

Creditor's contact information

www.annualcreditreport.com

Call **1-877-322-8228**



HOW IS CREDIT MEASURED?

- 35% Payment history
- 30% Amounts owed
- 15% Length of credit history
- 10 % New credit
- 10% Credit mix

FICO Score

Not all credit scores are FICO scores

FICO can change daily and across bureaus

Depends on information and balances as of that day

Different bureaus may have different information

Goal is above 640 to avoid being a “Sub-Prime” borrower

Determines:

Amount of line of credit

Initial deposits for cable, utilities,
rent

Interest rates

Unique

Credit length, type, etc.

- **Excellent: 800 to 850**
- **Very Good: 740 to 799**
- **Good: 670 to 739**
- **Fair: 580 to 669**
- **Poor: 300 to 579**

Improving Your Credit

- Watch those credit card balances
 - Optimum 30%
- Eliminate credit card balances
 - Consolidate spending
- Leave old debt on your report
 - Oldie but a goodie
- Use your calendar
 - Rate shopping 15-45 days
- Pay bills on time
- Don't hint at risk
 - Character counts
- Don't obsess



After Bankruptcy

Check Report Regularly

Errors are costly

Accounts properly discharged

\$0 Balance

Correct date

Secured Credit and/or Retail Card

Upfront deposits

Retail has looser requirements

Secured/Credit-Builder Loan

Report your rent to the Bureau

Become an authorized user



Why is Credit Important?

Buying a home or car

Loans (college)

Life insurance

Interest rates



Disputing Incorrect Information

Inform the credit reporting company, in writing, what information you think is inaccurate. Include copies of supporting legal documents

Clearly identify the information in question. Explain the facts and why you're disputing the information, and request that it be removed or corrected

Enclose a copy of your report with the items in question circled. Send your letter by certified mail, "return receipt requested"

Keep copies of your dispute letter, enclosures, and receipt.

Rebuilding Your Credit

I can think of a lot of other ways to spend \$150 a year. - John Ulzheimer

President of consumer information for financial education website **Credit.com**

Avoid credit repair scams!

Carefully check any Credit Counseling Service

Self-Help: dispute errors, contact creditors, create a budget, payment plans

CCCS Money Help Line 1-877-254-1097

“No credit, no problems!”

“We can erase your bad credit, 100% guaranteed”

Managing Debt

Rip off the band-aid: assessment of debt

Create budget

Emergency fund

Call creditors

Payment plan

How to choose what to pay first?

Is putting credit card debt on **HELOC** a good choice?



Roll Down Debt

1. Pay yourself first – build an emergency fund
2. Make a list of all debts
3. Sort debt by lowest balance owed
4. Review your plan with a mentor
5. Pay off, or as much as you can, the smallest debt first
6. Pay the minimum payment on larger debts
7. Repeat steps 5 and 6 until you're debt free
8. Feel confident as you pay things off



debts

Credit Summary

Check your credit report

Know your credit score

Shop around for credit

Pay bills on time

Be in charge of debt

Your Employee Assistance Program

Call toll-free or visit us on the web

24 hours a day/7 days a week

Thank you!

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