

Credit Basics

Managing credit wisely is an important factor in your financial success, so understanding the basics of credit is key.

What is a credit report?

A credit report is a record of your credit activity and current credit situation such as loan repayment history and the status of your credit accounts.

Lenders, insurers, employers and others may obtain your credit report from a credit bureau or consumer reporting agency to determine whether you are a good candidate.

Credit reports often contain:

- **Personal identifying information:** Name, address, full or partial Social Security number, date of birth and employment information
- **Your past and existing credit:** The amount you owe creditors, terms of your credit and your payment history
- **Your public record:** Court judgments against you, tax liens against your property, whether you have filed for bankruptcy or have unpaid bills which have been turned over to collection agencies
- **Inquiry information:** Companies make a credit inquiry anytime you apply for credit

It is recommended consumers check each of their three credit reports once a year to ensure the information is accurate.

You can obtain a free copy of your credit report from each credit bureau once a year by visiting annualcreditreport.com or calling (877) 322-8228.

You may also contact each of the credit bureaus directly:

- Equifax: (800) 685-1111
- TransUnion: (800) 888-4213
- Experian: (800) 397-3742

What is a credit score?

A credit score is a three-digit number that estimates how likely you are to repay borrowed money. The most commonly used credit score model, FICO, has a range of 300 to 850.



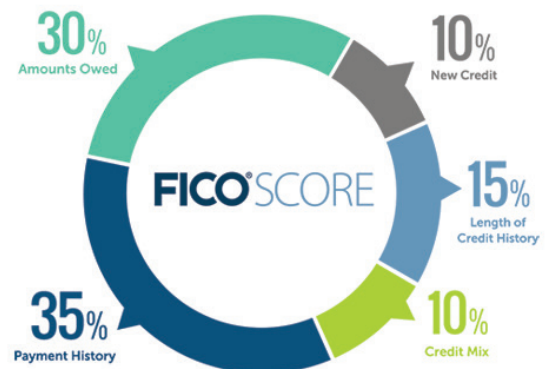
These factors influence your credit score:

- **Payment history (35%):** Paying your bills on time makes a big impact on your overall credit score, accounting for up to 35%.
- **Outstanding debt (30%):** Keeping balances well below credit limits and paying off those balances can improve your score.
- **Types of accounts (10%):** Another important factor is demonstrated success in managing a mix of credit accounts, i.e., credit cards, retail accounts, installment loans and mortgage loans.
- **Length of credit history (15%):** In general, a longer credit history will increase your credit score, because it is easier for creditors to see if you've been making payments responsibly.
- **New credit (10%):** New accounts lower the average age of your existing accounts, which can negatively impact your score. Also, opening multiple accounts in a short period of time is considered "a risk" by reporting agencies.



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source: myfico.com/credit-education/whats-in-your-credit-score

Learning and taking steps to make changes can improve your score and stop bad credit from holding you back!

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