

## Building A Better Credit Report

### Correcting Inaccuracies

You may write to the 3 credit companies to report inaccurate information on your credit report. You should also include copies (not the originals) of any documents that support your claim. Be sure to send it via certified mail with a receipt requested. If the dispute is found valid they will make the appropriate changes to your credit report. (See Federal Trade Commission publication for more info.)

### Improving Your Score & Report

Unfortunately, there is no magic bullet in improving your credit report. Time, a conscientious effort, and a solid plan for repaying debt is the only sure way to improve your credit standing. Everyone hits some unexpected bumps along the way but with a serious effort those unpleasant bumps can quickly be put into the file of ancient history.

### Resources

#### Federal Trade Commission

Facts for Consumers—Building a Better Credit Report  
[www.ftc.gov/bcp/edu/pubs/consumer/credit/cre03.shtm](http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre03.shtm)  
(877) FTC-HELP or (877) 382-4357

#### Equifax

[www.equifax.com](http://www.equifax.com) (800) 685-1111

#### Experian

[www.experian.com](http://www.experian.com) (888) 397-3742

#### TransUnion

[www.transunion.com](http://www.transunion.com) (800) 916-8800



**Educational & Governmental**  
EMPLOYEES FEDERAL CREDIT UNION

#### Main Office – Hartsdale

333 N. Central Avenue  
Second Floor  
Hartsdale, NY 10530

Phone: (914) 946-6200  
Fax: (914) 946-2910

#### Branch Office – Mt. Vernon

22 West 1<sup>st</sup> Street  
Room 311  
Mt. Vernon, NY 10550

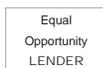
Phone: (914) 664-2646  
Fax: (914) 664-7991

#### Web Site and Online Banking

[www.egefcu.com](http://www.egefcu.com)

#### 24/7 Audio Response

(914) 946-9218



Your savings federally insured to at least \$250,000 and backed by the full faith and credit of the United States Government.



**Building Better Credit  
&  
A Brighter Future**

***It Pays to Belong!***



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## Top Items That Can Affect Credit

There are many areas of an individual's credit history considered when applying for a loan. The top 4 items considered are:

- 1) **FICO Score**
- 2) **Loan To Debt Ratio-Ability to Pay**
- 3) **Any Judgements, Garnishments, repossessions or collection efforts.**
- 4) **Bankruptcy**

Problems in any one or more of these areas would cause difficulty in acquiring a loan, so lets take a look at each of these items individually.

### FICO Score

Your FICO score (Fair Isaac Corporation Score) is the report card for your financial payment history. This score is reviewed by creditors, insurance companies, utility companies, cell phone companies, landlords, associations and employers. Your FICO score can range from 450 to 850 (450 being the lowest). The below is a chart of scores from Great to Undesirable.

- 760-850- Excellent Score**
- 700-759- Great Score**
- 660-699- Good Score**
- 620-659- Fair Score**
- 580-619- Poor Score**
- 500-579- Undesirable**

Since your FICO score can affect so many areas of your life it is vital to do your best to maintain the highest score possible.

## Your Debt to Income ratio

Your Debt to Income Ratio is another very important consideration when applying for a loan. It reveals to a creditor your ability to repay the requested amount along with your other monthly responsibilities. A debt ratio is calculated various ways. One common example is by adding together all of your monthly debt payments, that have more than 11 months to pay off, (car loan, credit cards, home {rent/mortgage}, other loans) plus any other mandatory payments (child support, alimony, etc.). This total is then divided by your total gross income (if it is joint then combined income for both applicants) to calculate the total percentage.

### Example:

**Total Gross Income=\$6,000**  
**Monthly Expenses= \$2,160**

**\$2,160 divided by \$6,000 =36**

**This is a 36% Debt to Income Ratio**

The following is a chart of Debt to Income Ratio from Good to Extremely High:

<25%	<b>Great Ratio</b>
26%-39%	<b>Normal Range</b>
40%-49%	<b>High Ratio</b>
>50%	<b>Extremely High Range</b>

It is very important to report all of your income, as it will affect this ratio. A ratio that is too high can definitely alter your ability to attain the loan you desire.

## Other Items That Affect Credit

### Negative Events on a Credit Report

Your credit report will illustrate various events from your credit history that a financial institution will review when considering a request. These events can greatly impact your ability to borrow. All (except Bankruptcy) will remain on your record for 7 years.

### Judgements

Judgements from a civil action or unpaid debt will affect your ability to borrow.

### Wage Garnishments

Wage garnishments affect your ability to borrow by reducing your gross income, since they are automatically removed from your wages. It can also illustrate to a creditor an unwillingness to repay a liability.

### Collections or Charge Offs

Debts sent to collections or charged off also may illustrate an unwillingness to repay. Sending an account to collections or charging a debt off is used only as a last resort.

### Repossession of Collateral Property

A repossession or foreclosure of property can definitely have a negative impact on your potential to acquire credit of any kind.

### Bankruptcy

Will remain on your credit record for 10 years as opposed to a 7 year duration, maintained for the other items above.