

Credit Myth or Fact

	Myth	Fact
If you pay all your monthly bills on time, you will have a high credit score.	Myth	Fact
If you only have Collection Accounts on your credit report, you may not have a score.	Myth	Fact
You can ruin your credit by applying for a few new lines of credit (making inquiries).	Myth	Fact
It is possible to go from “unscored” to a score of 699 in 6 months if you have one reported loan you pay on time each month.	Myth	Fact
A single delinquency can reduce your score by 45 to 125 points.	Myth	Fact
Your credit score will jump up when you pay off a collection account.	Myth	Fact
Credit cards can be excellent vehicles for building credit.	Myth	Fact

Credit Myth or Fact Companion Sheet

If you pay all your monthly bills on time, you will have a high credit score.

MYTH: Even if you're paying your utility, rent, and telephone bills on time, this positive payment history will have no effect on your FICO score *unless* it is being reported to the major credit bureaus.

If you **only** have Collection Accounts on your credit report, you may not have a score.

FACT: If your credit report only has collection accounts and no recent activity it is possible to not have a FICO score. Recent activity on credit accounts generate a FICO credit score.

You can ruin your credit by applying for a few new lines of credit (making inquiries)

MYTH: While inquiries reduce your credit score, the impact is generally less than 10 points, and begins to "age" off quickly.

It is possible to go from "unscored" to a score of 699 in 6 months if you open a new reported credit account that you pay on time each month.

FACT: Several clients using LISC's Twin Accounts product in Chicago have gone from "unscored" to a FICO score of 699 in 6 months.

A single delinquency can reduce your score by 45 to 125 points.

FACT: Fair Isaac reports that a single delinquency can lower a score as much as 125 points. The higher the individual's score, the greater the negative effect a delinquency will have.

Your credit score will jump up when you pay off a collection account.

MYTH: Paying off a collection account does not remove the negative account from your report and may have little or no positive impact. It is important to pay back debt -- but also build credit with on-time payments on active credit accounts that report.

Credit cards can be an excellent vehicles for building credit.

FACT: A credit card that is used regularly and paid in full each month acts like a 0% loan every month, in your pocket, for as long as you want to keep it.

Credit Impact: Myth or Fact

Your credit score impacts the following...	Myth	Fact
...the rate you're offered on a car loan	Myth	Fact
...whether you have to leave a deposit with your cell phone company	Myth	Fact
...the rate you're offered on a government student loan	Myth	Fact
...the monthly cost of car insurance	Myth	Fact
...whether you will get offered a particular job	Myth	Fact
...the amount of your utility bills	Myth	Fact
...the rate you're offered on a mortgage	Myth	Fact
...whether you have to leave a deposit with your utility company	Myth	Fact
...whether a bank will let you open a checking account	Myth	Fact
...whether your will be able to rent an apartment	Myth	Fact
...whether you can rent a car	Myth	Fact
...the rate you're offered on a private student loan	Myth	Fact

Credit Impact: Myth or Fact Companion Sheet

Your credit score impacts the following...	Myth	Fact
<p>...the rate you're offered on a car loan</p> <p>Fact. Someone with a good credit score can pay as low as 5% APR while an individual with a low credit score can pay up to 25% APR in interest and fees.</p>	Myth	
<p>...whether you have to leave a deposit with your cell phone company</p> <p>Fact. Individual with no or poor credit may be required to leave a deposit – sometimes up to three months of anticipated usage fees. Individuals with good credit are generally not asked for a deposit to access a cell phone account.</p>	Myth	Fact
<p>...the rate you're offered on a government student loans</p> <p>Myth. Government student loans including Stafford, Perkins and PLUS loans are not based on an individual's credit score as these loans are intended to broaden access to post-secondary education. They also differ from other loans since government student loans are rarely forgiven in bankruptcy.</p>	Myth	Fact
<p>...the monthly cost of car insurance</p> <p>Fact. 90% of insurance companies use credit information to calculate insurance scores and insurance rates. Individuals with a score of 650 or below might have trouble finding auto insurance.</p>	Myth	Fact
<p>...whether you will get offered a particular job</p> <p>Fact. A growing number of employers review credit reports during the application and hiring process. Special employer credit reports are designed to respect Equal Opportunity Employment laws and issued as soft inquiries that do not impact an applicant's credit score.</p>	Myth	Fact
<p>...the amount of your utility bills</p> <p>Myth. The amount of your utility bill is based on usage and not your credit score.</p>	Myth	Fact

Credit Impact: Myth or Fact Companion Sheet (2)

Your credit score impacts the following...	Myth	Fact
<p>...the rate you're offered on a mortgage</p> <p>Fact. Mortgage lenders are required to review credit scores from all three consumer credit bureaus and base approval on the "mid" score of the three.</p>	Myth	Fact
<p>...whether you have to leave a deposit with your utility company</p> <p>Fact. Utility companies, like cell phone companies, often request a deposit of several months anticipated usage when applicants have no or low credit. Clients with good credit do not generally leave any deposit.</p>	Myth	Fact
<p>...whether a bank will let you open a checking account</p> <p>Fact. Most banks are now using credit report information ,in addition to ChexSystems data , when evaluating an individual for a checking or savings account.</p>	Myth	Fact
<p>...whether your will be able to rent an apartment</p> <p>Fact. Landlords are among the many businesses that use credit reports to decide whether or not to rent to an individual. Some landlords deny housing to individuals with no or low credit score. Other landlords may ask the renter to pay a higher security deposit and/or several months rent.</p>	Myth	Fact
<p>...whether you can rent a car</p> <p>Myth. Car rental agencies do not check your credit score. However, clients without a credit card are generally asked to put down a hefty security deposit at time of rental.</p>	Myth	Fact
<p>...the rate you're offered on a private student loan</p> <p>Fact. It can be difficult to obtain a private student loan with a FICO score below 630-650. However a student with a 660 score will still not get the best rate!</p>	Myth	Fact

What does it COST to have bad credit?

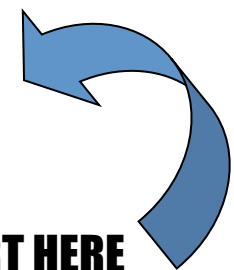


\$10,000 auto loan, 5 year term

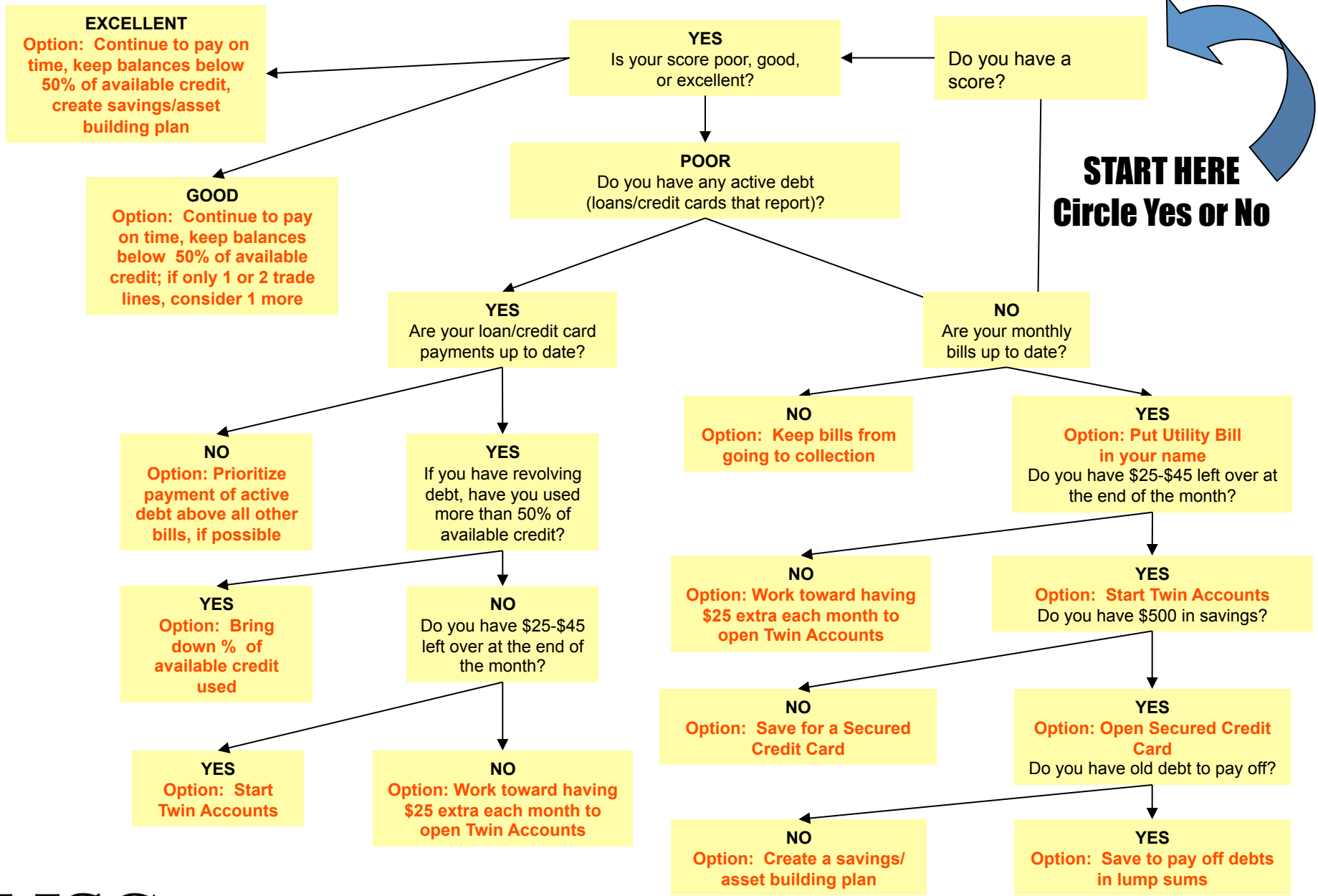
Score	Interest Rate	Monthly Payment	Total Interest Paid
Low	25%	\$294.00	\$7,611.00
Okay	12%	\$222.00	\$3,347.00
Excellent	5%	\$189.00	\$1,323.00

Potential Savings over 5 years = **\$6,288**

Source: www.bankrate.com



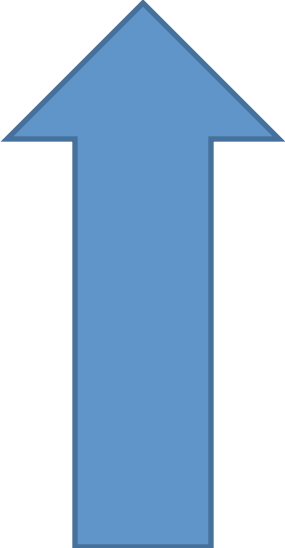
START HERE
Circle Yes or No



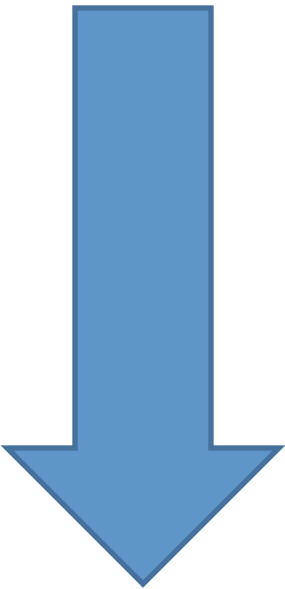
Client's Name: _____ **Date:** _____

Credit Building Option(s): _____

What brings credit **UP**?

- 
1. **on-time** payments
 2. **in full** each month
 3. **reported** to credit bureaus

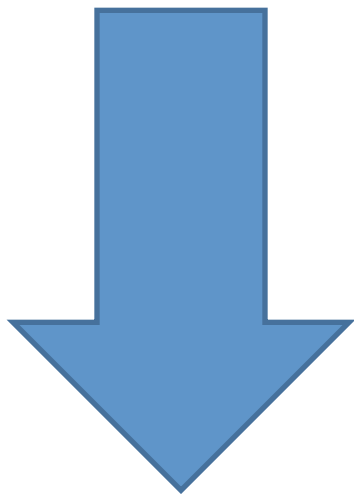
and **DOWN**?

- 
1. **delinquencies**
 2. **lack of recent payments**
(no activity in > 24 months may lead to no score)
 3. **maxing out available credit**
(i.e. using >50% credit limit)



Reported, On-time, Full Payments **BUILD** Credit

Everything else **lowers** your score!



85 to 160 pts

130 to 240 pts

Inquiry
Open New Account
Close Account

Max Out Credit (>50%)
Credit Limit Decrease

Delinquency
Debt Settlement

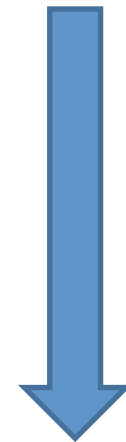
Default
Collection Account
Foreclosure

Bankruptcy

0 to 10 pts

10 to 45 pts

45 to 125 pts



How mistakes affect FICO scores ranging from 680-780 assuming consumer has car loan, mortgage, several active major credit cards and student loans.
Source: FICO 2009 <http://www.creditcards.com/credit-card-news/fico-credit-score-points-mistakes-1270.php>