Understanding and managing your credit
Empowering you to pursue financial wellness

Understanding personal financial options can be a challenge these days. Where can you go to connect to simple, straightforward guidance to help make your financial life even better? Bank of America at Work® can provide you access to guidance that can help you navigate through important life events, including:

**Bank of America**
- Managing your daily finances
- Purchasing or refinancing a home or car
- Overcoming debt

**Merrill Edge®**
- Preparing for your child’s college education
- Planning for retirement
- Creating an emergency fund

Get started on your path to financial wellness. Visit bankofamerica.com/bankatwork or call 888.895.2911 to speak with dedicated mortgage specialist.
Overview

Understanding how credit works and how it affects your chances of getting approved for a loan is important. In this presentation, you’ll learn helpful ways to manage, rebuild and maintain good credit.

Topics covered:
1. What is credit?
2. Understanding your credit report
3. Understanding your credit score
4. Checking your credit report and credit score
5. The importance of credit
6. Maintaining good credit
7. Resources
What is credit?
What is credit?

- Credit is the act of borrowing money or obtaining a service before payment with the promise to pay in the future
- Two types of credit: traditional and non-traditional

<table>
<thead>
<tr>
<th><strong>Traditional credit</strong></th>
<th><strong>Non-traditional credit</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>When you borrow money from a financial institution and your repayment history is reported to the major credit reporting agencies.</td>
<td>When you make periodic payments on a regular basis to parties other than normal credit grantors that do <strong>not</strong> usually report to the credit reporting agencies.</td>
</tr>
</tbody>
</table>
Four types of credit accounts

Revolving credit
- Most credit cards
Four types of credit accounts

Revolving credit
• Most credit cards

Installment credit
• Mortgage
• Car loan
Four types of credit accounts

- **Revolving credit**
  - Most credit cards

- **Installment credit**
  - Mortgage
  - Car loan

- **Charge cards**
  - Traditional American Express®

Brought to you by Bank of America at Work®
Four types of credit accounts

<table>
<thead>
<tr>
<th>Revolving credit</th>
<th>Installment credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Most credit cards</td>
<td>• Mortgage</td>
</tr>
<tr>
<td></td>
<td>• Car loan</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Charge cards</th>
<th>Service credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Traditional American Express®</td>
<td>• Rent</td>
</tr>
<tr>
<td></td>
<td>• Utilities</td>
</tr>
<tr>
<td></td>
<td>• Insurance</td>
</tr>
<tr>
<td></td>
<td>• Cell phone</td>
</tr>
</tbody>
</table>
Understanding your credit report
Understanding your credit report

Your credit report is like your financial report card, showing both good and bad grades. There is detailed information about your traditional credit history, and how many credit accounts you have.

**What’s in your credit report?**

Identifying information

- Name, birth date, Social Security number, address, employment history
Understanding your credit report

Your credit report is like your financial report card, showing both good and bad grades. There is detailed information about your traditional credit history, and how many credit accounts you have.

What’s in your credit report?

<table>
<thead>
<tr>
<th>Identifying information</th>
<th>Trade lines</th>
</tr>
</thead>
</table>
| • Name, birth date, Social Security number, address, employment history | • Credit limits, current balances, payment history  
• Dates when accounts were opened, loan terms |
Understanding your credit report

Your credit report is like your financial report card, showing both good and bad grades. There is detailed information about your traditional credit history, and how many credit accounts you have.

What’s in your credit report?

**Identifying Information**
- Name, birth date, Social Security number, address, employment history

**Trade lines**
- Credit limits, current balances, payment history
- Dates when accounts were opened, loan terms

**Credit inquiries**
- Who’s been looking at your credit file
- Includes voluntary and involuntary inquiries
Understanding your credit report

Your credit report is like your financial report card, showing both good and bad grades. There is detailed information about your traditional credit history, and how many credit accounts you have.

What’s in your credit report?

Identifying information
• Name, birth date, Social Security number, address, employment history

Trade lines
• Credit limits, current balances, payment history
• Dates when accounts were opened, loan terms

Credit inquiries
• Who’s been looking at your credit file
• Includes voluntary and involuntary inquiries

Public information
• Liens, judgments
Understanding your credit score
Understanding your credit score

- A credit score is a number assigned by credit reporting agencies based on information available on your credit report
- Many lenders use the FICO® Score, which ranges from 300 to 850

What is a good FICO® credit score?

300

650
Understanding your credit score

• A credit score is a number assigned by credit reporting agencies based on information available on your credit report
• Many lenders use the FICO® Score, which ranges from 300 to 850

What is a good FICO® credit score?

Average

Below average

300

650

720
Understanding your credit score

- A credit score is a number assigned by credit reporting agencies based on information available on your credit report.
- Many lenders use the FICO® Score, which ranges from 300 to 850.

What is a good FICO® credit score?

- Below average: 300
- Average: 650
- Good: 720
- 780

The FICO® Score ranges from 300 to 850, with higher scores indicating better creditworthiness.
Understanding your credit score

- A credit score is a number assigned by credit reporting agencies based on information available on your credit report
- Many lenders use the FICO® Score, which ranges from 300 to 850

What is a good FICO® credit score?

- Below average: 300
- Average: 650
- Good: 720
- Excellent: 850
Understanding your credit score

How your FICO® score breaks down:

Payment history

35%

Source: www.myFICO.com
Understanding your credit score

How your FICO® score breaks down:

- Payment history: 35%
- Amounts owed: 30%

Source: www.myFICO.com
Understanding your credit score

How your FICO® score breaks down:

- Payment history: 35%
- Amounts owed: 30%
- Length of credit history: 15%

Source: www.myFICO.com
Understanding your credit score

How your FICO® score breaks down:

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

Source: www.myFICO.com
Understanding your credit score

How your FICO® score breaks down:

- Payment history: 35%
- Amounts owed: 30%
- Length of credit history: 15%
- New credit: 10%
- Types of credit: 10%

Source: www.myFICO.com
Checking your credit report and credit score
Checking your credit report and credit score

• You can request a free credit report once a year from each of the three major credit reporting agencies; additional charges apply when requesting actual credit score

• Three ways to order your free credit report
  – Online: visit annualcreditreport.com
  – By phone: Call 877.322.8228
  – By mail: Credit Report Request
    P.O. Box 105281
    Atlanta, GA 30348-5281

• The three major credit reporting agencies:
  – TransUnion® — transunion.com or 800.888.4213
  – Experian® — experian.com or 888.397.3742
  – Equifax® — equifax.com or 800.685.1111
Correcting errors on your report or reporting identity theft

**Filing a dispute**
- You have the right to have errors corrected for free, file a dispute if you find an error or any inaccuracies
- Work with the credit reporting agency and creditor to correct mistakes
- Credit reporting agencies have 30 days to respond to a dispute

**Identity theft**
- Report identity theft if you discover illegal use of your personal information
- Contact the creditor immediately to start an investigation
- Consult with your creditor to freeze or close the account
- Place a fraud alert on your credit report
- File a police report
- Contact the Federal Trade Commission website and download the ID Theft Report
  - [ftc.gov](http://ftc.gov)
  - 877.FTC.HELP (382.4357)
Importance of credit
Importance of credit

Good credit is necessary for making major purchases, increasing convenience, obtaining services, saving money and increasing your marketability.
Who’s looking at your credit

Lenders

Lenders use credit to evaluate your ability to pay debt and determine interest rates
Who’s looking at your credit

**Lenders**
Lenders use credit to evaluate your ability to pay debt and determine interest rates

**Insurance providers**
Insurance providers use credit to evaluate risk and determine premiums
# Who’s looking at your credit

<table>
<thead>
<tr>
<th>Lenders</th>
<th>Insurance providers</th>
<th>Service providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lenders use credit to evaluate your ability to pay debt and determine interest rates</td>
<td>Insurance providers use credit to evaluate risk and determine premiums</td>
<td>Service providers use credit to evaluate your ability to pay service costs</td>
</tr>
</tbody>
</table>
Who’s looking at your credit

<table>
<thead>
<tr>
<th>Lenders</th>
<th>Insurance providers</th>
<th>Service providers</th>
<th>Employers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lenders use credit to evaluate your ability to pay debt and determine interest rates</td>
<td>Insurance providers use credit to evaluate risk and determine premiums</td>
<td>Service providers use credit to evaluate your ability to pay service costs</td>
<td>Employers evaluate credit during background checks and may use it to determine employment eligibility</td>
</tr>
</tbody>
</table>
Credit requirements when applying for a mortgage loan

• Your credit score must be based on:
  – 24 months of credit history
  – At least three total open or closed trade lines with 12 month history
  – One to three open trade lines

• Non-traditional forms of credit may be obtained to create a credit file without a traditional credit history or to supplement a traditional credit file that has less than three trade lines

• Non-traditional credit requirements:
  – 12-month credit history with at least four different credit sources
  – At least one source of non-traditional credit must be housing related
  – Borrowers may need to complete a homebuyer education course

1 This information is subject to change and requirements may differ with other lenders.
Maintaining good credit
Good credit, poor credit, no credit

<table>
<thead>
<tr>
<th>Good credit history</th>
<th>Poor credit history</th>
<th>No credit history</th>
</tr>
</thead>
<tbody>
<tr>
<td>A record of paying what you owe in a timely manner and using credit responsibly</td>
<td>A record of not paying bills on time and allowing debt to build up</td>
<td>No official record of borrowing money or using a credit card, so a lending institution is unable to evaluate your repayment history</td>
</tr>
</tbody>
</table>
Maintaining good credit – DOs

• Pay bills on time
• Reduce the amount of debt, stay below 25% utilization
• Establish a household budget
• Apply for new credit only when really needed
• Keep old accounts open
• Have a sensible mix of credit types
• Order your credit report at least once per year
• Review your report and correct any errors or inaccuracies
• Check your monthly account statements to verify transactions
• Report suspected fraud or identify theft
• If you are denied credit, understand the reason(s) why
• When rate shopping for a large purchase do so in a 2-3 week window
Maintaining good credit – DON’Ts

• Don’t apply for unnecessary credit
• Don’t max-out credit cards
• Don’t cosign on a loan unless you are willing and able to make payments on the loan yourself

Protect yourself against identity theft

• Don’t carry extra credit cards, your birth certificate, passport or Social Security number with you unless necessary
• Don’t throw away documents such as preapproved credit card offers before shredding
• Don’t print your Social Security number on your checks and only give it when absolutely necessary
Managing your credit utilization

- Credit utilization is a ratio of your outstanding credit balances to your credit limits
- Credit scores evaluate both individual credit card utilization as well as your overall credit utilization

Calculating your credit utilization ratio:

1. Divide the current balance by the credit limit:
   - \( \frac{100}{800} \)
2. Multiply the result by 100 to get a percentage:
   - \( \times 100 \)
3. The result is the credit utilization:
   - \( 12.5\% \)
## Credit information and estimated time reported

<table>
<thead>
<tr>
<th>Type of credit information</th>
<th>Estimated amount of time it can be reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive information — such as timely payments</td>
<td>As long as it continues to be reported to the credit reporting agencies</td>
</tr>
<tr>
<td>Open lines with balance greater than $0, if no updates received within 3 years</td>
<td>3 years</td>
</tr>
<tr>
<td>Late payments of 30 days or more</td>
<td>7 years from the date delinquency is reported</td>
</tr>
<tr>
<td>Credit and collection accounts</td>
<td>7 years from the date of the last entry</td>
</tr>
<tr>
<td>Court records</td>
<td>7 years from the date filed</td>
</tr>
<tr>
<td>Chapter 13 bankruptcy</td>
<td>7 years from the date filed</td>
</tr>
<tr>
<td>Chapter 7 and 11 bankruptcies</td>
<td>10 years from the date filed, even if eventually dismissed or discharged</td>
</tr>
<tr>
<td>Public record – unpaid liens</td>
<td>15 years</td>
</tr>
<tr>
<td>Negative credit information — such as late payments and delinquent accounts</td>
<td>7 years from the original delinquency date, except for bankruptcies and other exclusions noted above</td>
</tr>
</tbody>
</table>

*Information provided by the three credit reporting agencies.

Note: Some judgments can be renewed and therefore may remain on your credit report for a longer period of time than noted in this chart.
Resources

• FICO® – myFICO.com
• National Foundation for Credit Counseling – nfcc.org or 800.388.2227
• Opt-out of pre-approved credit offers – 888.5.OPTOUT (567.8688)
• Find a Nonprofit Housing Counseling Agency at HUD.gov; on the site select “Resources,” then select “HUD Approved Housing Counseling Agencies”
• Have more questions about what you learned today? Email us at - webinars@bankofamerica.com
We would be happy to answer your questions

One-on-one guidance

Speak to a dedicated mortgage loan specialist who can help you plan for your short- and long-term home financing goals

Call 888.895.2911

Bank of America at Work® website

Make smart, informed financial decisions with the help of articles, videos, calculators and planning tools

Visit bankofamerica.com/bankatwork
Important information

Credit and collateral are subject to approval. Terms and conditions apply. This is not a commitment to lend. Programs, rates, terms and conditions are subject to change without notice. Bank of America, N.A. Member FDIC. Equal Housing Lender

Investment products:

<table>
<thead>
<tr>
<th>Are Not FDIC Insured</th>
<th>Are Not Bank Guaranteed</th>
<th>May Lose Value</th>
</tr>
</thead>
</table>

© 2015 Bank of America Corporation. All rights reserved. | AR6W7VV9 | PRES-08-15-0998.A | 10/2015
Thank you

Thank you for joining us today. Please take a moment to complete our survey.