

A hand holding a credit card and another hand touching a smartphone screen. The background is a blurred blue and white.

A Crash Course in Understanding

# CREDIT

We make understanding your credit report and credit score simple.



## Have questions? Need help?

Request a free Personal Financial Evaluation by emailing [Marketing@OklahomaCentral.org](mailto:Marketing@OklahomaCentral.org)

Understanding how your credit score works can help you figure out how to improve your credit health, score the best rates and potentially save thousands of dollars.

Your credit score is one of the most important numbers that will ever be attached to your name. Take care of it and it'll take care of you!

## What is credit?

Credit is borrowed money that you use to purchase goods and services. It comes in a variety of forms, including credit cards and mortgages. Typically, interest is added on to the borrowed amount and a payment date is set.

## What is a credit report?

A credit report contains a list of your financial obligations and information about them, including accounts and how you pay them. There are three credit bureaus that compile reports: Transunion, Equifax and Experian.



## What is a credit score?

A credit score is a three-digit number that uses information from your credit report to assess your creditworthiness, or how likely you are to repay debts in a timely manner.

The information in your credit file is divided into six categories, but not every category carries the same weight. The categories are:

- payment history
- age and type of credit
- percentage of credit limit used
- total balances/debt
- recent credit behavior
- available credit

When you apply for credit - whether for a credit card, an auto loan, or a mortgage - lenders want to know what risk they'd take by loaning you money. A credit score helps lenders evaluate a credit report because it is a number that summarizes credit risk, based on a snapshot of a credit report at a particular point in time.





## NOTE: Your credit score will vary depending upon which agency is reporting. Keep in mind the following points when comparing scores across bureaus:

- Not all credit scores are “FICO” scores. So, make sure the scores you are comparing are actual FICO Scores.
- The scores should be accessed at the same time. The passage of time can result in score differences due to model characteristics that have a time based component. Comparing a score pulled on bureau “A” from last week to a score pulled on bureau “B” today can be problematic as the “week old score” may already be “dated”.
- All of your credit information may not be reported to all three credit bureaus. The information on your credit report is supplied by lenders, collection agencies and court records. Don’t assume that each credit bureau has the same information pertaining to your credit history.
- You may have applied for credit under different names (for example, Robert Jones versus Bob Jones) or a maiden name, which may cause fragmented or incomplete files at the credit reporting agencies. While, in most cases, the credit bureaus combine all files accurately under the same person, there are many instances where incomplete files or inaccurate data (social security numbers, addresses, etc.) cause one person’s information to appear on someone else’s credit report.
- Lenders report credit information to the credit bureaus at different times, often resulting in one agency having more up-to-date information than another.
- The credit bureaus may record, display or store the same information in different ways.

## What is a good credit score?

A good credit score is generally considered to be 720 or higher. Lenders, however, can each have different standards for what they consider to be a good credit score, so it's important to keep building your score to receive the most favorable interest rates and highest rates of credit approval.

## Why does my credit score matter?

Lenders use your credit score to determine whether or not to grant you credit and how much you should pay in interest.

- The lower the score, the higher the risk you become in the lenders eyes. This results in high interest rates.
- The higher the score, the more you can save in lower interest rates over the life of your loan.

Your credit score matters even if you're not applying for credit. If you rent, your landlord may ask to see your score. It can impact your home and auto insurance rates. It could even influence the terms of your new cellphone contract.

**Bottom line: Putting effort into maintaining a good credit history is worth the investment.**



Credit scoring.  
Application for

# What affects your credit?

There are **six key credit-influencing factors** that are commonly used in calculating your credit score:

- Open credit card utilization: Your open credit card utilization rate is your available credit compared with how much you're using at any given time. It can be calculated by taking your total open credit card balances and dividing that number by your total open credit card limits.

**OUR TIP TO YOU:** It's important to note that your credit card utilization rate is not calculated by looking at the balance you carry over from month to month. You could maintain a healthy credit card utilization through regular credit card use and paying off your balance every month.

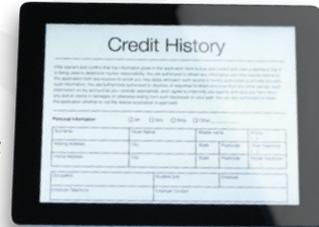
- Percent of on-time payments: Your percentage of on-time payments represents how often you make payments on time. It's often a heavily weighted factor in calculating a credit score, so just one or two late payments could significantly affect your score.



**OUR TIP TO YOU:** Paying bills on time is one of the best ways to keep up good credit health; it shows lenders and creditors that you're reliable and will pay back your debts.

- Number of derogatory marks: These include accounts in collections, bankruptcies, foreclosures and liens. Your credit score will be severely negatively affected by a derogatory mark on your credit report. Derogatory marks typically take seven to ten years to clear from credit history, and they generally cannot be removed earlier.

**OUR TIP TO YOU:** Manage your credit to avoid a mark on your credit. A derogatory mark could severely influence your chances of getting approved for credit; it indicates to a lender that you may have significantly mismanaged credit in the past.



- Average age of open credit lines: This factor averages the ages of your open credit cards, mortgages, auto loans, student loans and other lines of credit on your credit report. If your credit history is lengthy, lenders have more information to accurately assess creditworthiness and is an indication that you have been able to successfully manage your credit.

**OUR TIP TO YOU: Closing your oldest credit card account is typically ill-advised. It will shorten the average length of your open credit lines and reduce your available credit, possibly increasing your credit utilization rate.**

- Total number of accounts: This credit score factor totals up your number of credit cards, auto and student loans, mortgages and other lines of credit. Consumers with a higher number of credit accounts generally have better credit scores, since they've been approved for credit by more lenders. Also, having various types of credit--both revolving and installment--on your profile can positively contribute to your creditworthiness.

**OUR TIP TO YOU: We do not recommended opening several new lines of credit simply to increase your total number of credit accounts. This factor of your credit score is usually weighed less heavily than the rest.**

- Total hard credit inquires: The final factor commonly used in your credit score is your total number of hard credit inquiries,

which is when a financial institution, such as a lender or credit card issuer, checks your credit in order to decide whether to approve you for a loan or credit card. A hard inquiry occurs when you apply for:

- Auto loan
- Student loan
- Business loan
- Personal loan
- Credit card
- Mortgage
- A new job
- Renting a house or apartment

**OUR TIP TO YOU: Apply for credit only when you need it and not as a leisurely act. One hard inquiry could negatively affect your credit score by a few points, but the effect typically will begin to lessen after a couple of months.**



# Credit

## How can you improve your credit health?

- Keep your balances low to maintain a healthy utilization rate
- Limit the number of times you apply for credit to minimize hard inquiries
- Never miss a payment
- Rethink closing your oldest account
- Pull your credit reports each year and scrutinize them for errors and inaccuracies

## How can you get a free copy of your credit report?

You can get one free credit report every 12 months from each of the nationwide credit bureaus—Equifax, Experian and TransUnion. Visit [annualcreditreport.com](http://annualcreditreport.com) to request your free credit reports.

Your free annual credit report does not include credit scores. You can obtain your FICO score from:

- Visit any Oklahoma Central branch location to get a free financial evaluation that includes a copy of your credit report
- myFICO
- Any of the three credit reporting bureaus: Transunion, Equifax and Experian
- An Oklahoma Central Credit Union credit card, which will provide your TransUnion FICO score on statements and within your account online

NOTE: An example of a credit report accompanies this information.

# How a FICO Score breaks down

## How can I correct errors found in my credit report?

If you find errors in your credit report, you may dispute the information and request that the information be deleted or corrected. Contact either the credit bureau that provided the report or the company that provided the incorrect information to the credit bureau. To contact the credit bureau, call the toll-free number on your credit report or visit their website:

- Equifax
- Experian
- TransUnion

To contact the company that provided the incorrect information to the credit bureau, look on your credit report, in an account statement, or on the company's website for contact information for handling such disputes. When disputing information on your credit report, you should:

- Provide information about yourself, such as your name, address, date of birth, and Social Security number;

- Identify specific details about the information that is being disputed and explain the basis of your dispute;
- Have a copy of your credit report that contains the disputed information available; and
- Provide supporting documentation, such as a copy of the relevant portion of the consumer report, a police report, a fraud or identity theft affidavit, or account statements.

## What happens once I send in information to correct information in my credit report?

If you submit your dispute through a credit bureau or directly to the company or person that provided the incorrect information to the credit bureau, your dispute must be investigated, usually within thirty days. If you provide additional information during the thirty-day investigation, that investigation period may be extended an additional 15 days in some circumstances. When the investigation is completed, either the credit bureau or the company or person that provided the incorrect information to the credit bureau must give you the written results of its investigation.

If the information provider finds the disputed information is inaccurate, it must notify all three nationwide credit bureaus so they can correct the information in your credit report.

You can get a free copy of your report if the dispute results in a change. This free report is in addition to your annual free report. If an item is changed or deleted, a credit bureau cannot put the disputed information back in your credit report unless the company or person that provided the incorrect information to the credit bureau verifies that the information is, indeed, accurate and complete.

You can request that the credit bureau send notices of any correction to anyone who received your report in the past six months. A corrected copy of your report can be sent to anyone who received a copy during the past two years for employment purposes.

## What if an investigation does not resolve my dispute?

If an investigation does not resolve your dispute, you can ask that a statement of the dispute be included in your future credit reports. You also can ask the credit bureau to provide your statement to anyone who received a copy of your report in the recent past, but you may have to pay a fee for this service.

Have additional questions about credit? Visit **myfico.com** for more help on making sense of your credit.

When it comes to finances, knowledge can be your strongest asset. That's why we've compiled this list to help you understand the terms that you may see used in connection with your credit file.

**Account Status:** Shows the status that identifies the current condition of the account as of the Date Reported. For example, Pays as agreed, 60 - 90 days late this month, or Account included in bankruptcy.

**Account Type:** Refers to the account classification, such as auto, education, credit card, etc.

**Active Duty Alert:** An alert that notifies all prospective users of a consumer report relating to the consumer that the consumer is an active duty military consumer. This alert is placed at the request of the consumer.

**Amortization:** the process of paying off a debt, like a mortgage, through regular payments overtime. Part of your debt payment goes toward interest and the remaining part of your payment goes toward the principal balance.

**Available credit:** Your available credit is the amount of credit you can charge on your existing accounts (or your credit limit less any outstanding debt). For example, if you have a credit limit of \$1,000 on a credit card and you have \$600 in outstanding charges on that card, your available credit is \$400.

**Balance:** Amount due to the creditor at the time account

information was last reported.

**Bankruptcy:** Three types apply to consumers:

**Chapter 7** refers to a court proceeding where one's unprotected assets are sold and disbursed to pay creditors.

**Chapter 13** allows the debtor an extended time to repay all or part of his/her debts. The debtor is allowed to keep his/her assets.

**Chapter 12** refers to a court proceeding where financial obligations are released due to the inability of a family farm to pay their debts.

**Collection:** An account that has been assigned to internal or external collections.

**Collection Item:** An account turned over to a collection agency by a creditor.

**Comments/CommentsonAccount:** Any comments a creditor reports regarding account.

**Consumer Statement:** The statement a consumer may add to his/her file.

**Credit File:** A record of an individual's identification information

(such as Name, Address, and Social Security Number), employment, legal items (such as Bankruptcies, Judgments and Tax Liens), and inquiries made for extension of credit and account credit payment and history.

**Credit Report:** A compilation of credit information presented in an easy-to-read format.

**Consumer Reporting Agency:** Also known as a credit bureau. A company that collects, stores, maintains and distributes information on consumer credit history.

**Credit Score:** A score based on variables in a consumer's credit file that is indicative of the consumer's creditworthiness.

**Credit utilization:** The ratio of your outstanding debt to available credit. If you borrow up to the limit of your available credit, your credit utilization rate would be 100%; a high credit utilization rate could negatively impact your credit score.

**Creditor:** A person or business from whom a consumer borrows or to whom the consumer owes money.

**Current Ratings:** Shows total of all account types that are currently delinquent 30, 60 or 90 days.

**Date Major Delinquency First Reported:** The first date the major delinquency status was reported for this account. A major delinquency is considered to be a collection, repossession, charge-off, foreclosure or account included in bankruptcy.

**Date Opened:** Date account was originally opened.

**Date of Last Activity (DLA):**

- For paid as agreed accounts with a zero balance, the DLA contains the Date of Last Payment on the account.
- For paid as agreed accounts with a balance greater than zero, the DLA contains the most recent date associated with the account.
- For delinquent accounts and accounts included in bankruptcy, the DLA contains the date the first delinquency occurred leading to the Status being reported on the account.

**Date of Last Payment:** Date of the most recent consumer payment.

**Date Closed:** Date the account was closed to further purchases or paid in full.

**Date Reported:** Date account information was last updated by the data furnisher.

**Delinquent Account:** Any account that is past due is considered delinquent. For credit cards, you usually have 30 days past the original due date of your payment before it's considered delinquent.

**FICO score:** The FICO score is the most commonly used credit scoring model in the U.S. The score is based on statistical analysis and information from your credit file.

**Filing Date:** Date item was filed with the courts.

**Fraud Alert:** An alert in the consumer's credit file that notifies all prospective users of a consumer report relating to the consumer that

the consumer may be a victim of fraud, including identity theft. This alert is placed at the request of the consumer.

**Inquiries:** Requests for a copy of your credit file. When you initiate a transaction that results in your credit file being accessed, such with a bank, landlord, employer or potential employer, mortgage broker or other institution from which you have applied for credit, the inquiry is generally considered a "hard" inquiry and is visible to anyone who obtains a copy of your credit report.

"Soft" inquiries are not shown when someone other than you obtains your credit report. One example of a soft inquiry is the promotional inquiry that is posted when your credit file is accessed in connection with a pre-screened offer.

**Inquiry Date:** Date your credit file was requested.

**Installment Account:** An account with a fixed payment for the term of the loan.

**Line of Credit:** An agreement between an institution and a consumer where the institution agrees to lend a consumer funds up to an agreed upon credit limit. The consumer may borrow as much of the line as needed and pays interest on the borrowed portion only. Payment amounts are revolving, based on the outstanding balance amount.

**Mortgage:** A contract or deed to real estate property to secure the payment of a debt. The creditor has actual title to the property, but the property remains with the use and occupancy of the borrower as long as the conditions of the mortgage are met.

**Open Account:** Account where the entire balance is due upon demand or that has one payment due as scheduled. This Portfolio Type is used by credit card reporters when there is no credit limit and the full

balance amount is due each month (e.g., no revolving terms).

This Portfolio Type is also used by Collections Agencies, Child Support Agencies, Debt Purchasers, Student Loan Guarantors, the U.S. Department of Education and Utility Services' payment plans.

**Original Creditor:** Shows the original creditor who originally opened the account for the consumer.

**Ownership:** Designation by a lender of an individual responsible for payment of an account.

**Past Due:** Amount currently past due, which can include late charges and fees.

**Portfolio Type:** Indicates the type of loan, such as Installment, Mortgage, Line of Credit, Revolving or Open Account.

**Prior Delinquencies:** Dates account was last reported delinquent.

**Promotional Block:** A consumer may place a promotional block on the credit file to prohibit receipt of preapproved offers of credit or insurance via U.S. mail.

**Public Records:** Bankruptcies, tax liens, or judgments from federal, state, or court records.

**Real Estate Account:** A fixed payment account involving ownership of property (such as mortgage payments).

**Revolving Account:** An account that establishes a maximum credit limit for a consumer, such as a credit card or charge account. A balance can be carried over from month-to-month. Payment amounts are based on the outstanding balance amount.

**Tradeline Name:** Account name.

**Trades Opened:** New account(s) opened.



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