



Understanding Credit, Reports & Scores

The 3-digit number that will rule your financial life!

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What is credit?



Contractual agreement in which a borrower receives money and agrees to **repay** the lender at later date **with interest**.

What are the different types of credit?



Revolving = Borrow money **up to a credit limit** and balance can be **carried over month to month**.



Installment = Borrow a **specific amount of money** and balance is paid down through a **set monthly payment** and timeframe.

How does credit work?

Lender / Creditor



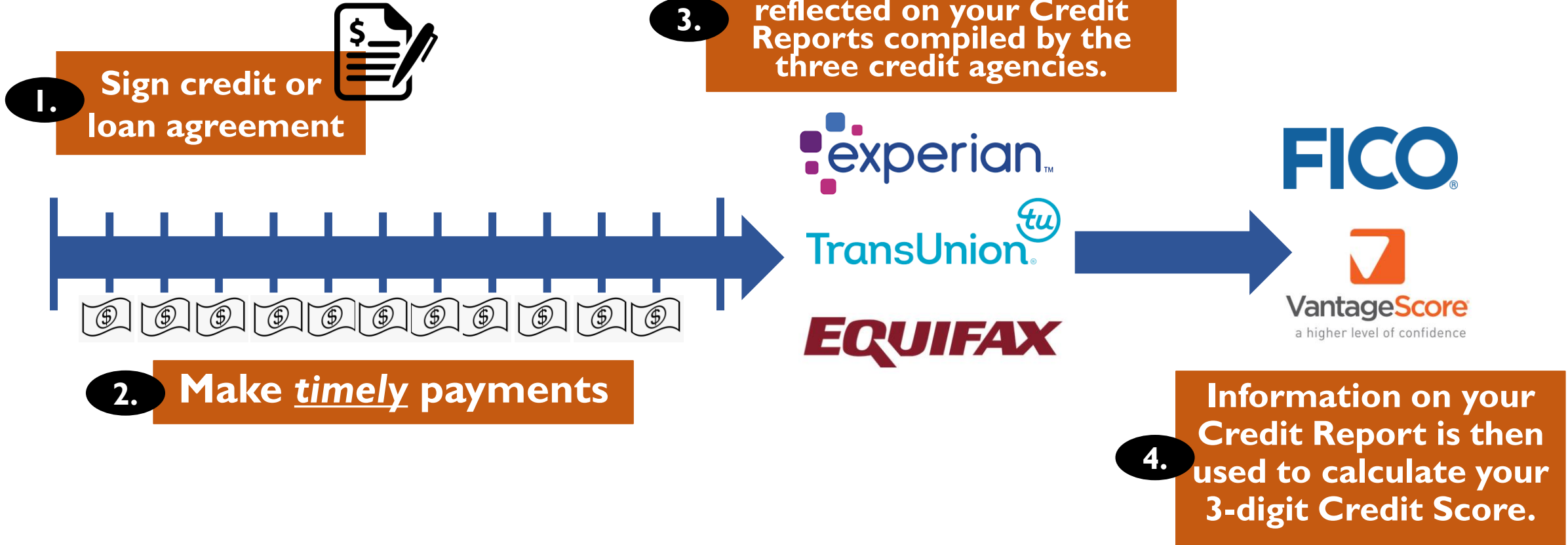
Borrower



Lend Money /
Extend Credit

Repay with interest

How do I build credit?



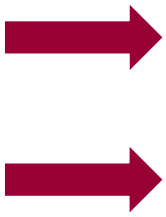
What's a credit report?



BARCLAYS BANK DELAWARE **SAMPLE**
 125 S. WEST ST.
 WILMINGTON, DE 19801
 (888) 370-5931

Date Opened: 03/16/2005 Date Updated: 07/22/2015 Pay Status: Current; Paid or Paying as Agreed
 Responsibility: Authorized Account Payment Received: \$9,315 Terms: \$98 per month, paid Monthly
 Account Type: **Revolving Account** Last Payment Made: 07/13/2015
 Loan Type: FLEXIBLE SPENDING CREDIT CARD

High Balance: High balance of \$10,141 from 02/2013 to 04/2013; \$12,965 from 05/2013 to 05/2013; \$14,213 from 06/2013 to 06/2015; \$16,803 from 07/2015 to 07/2015
 Credit Limit: Credit limit of \$29,800 from 02/2013 to 07/2015

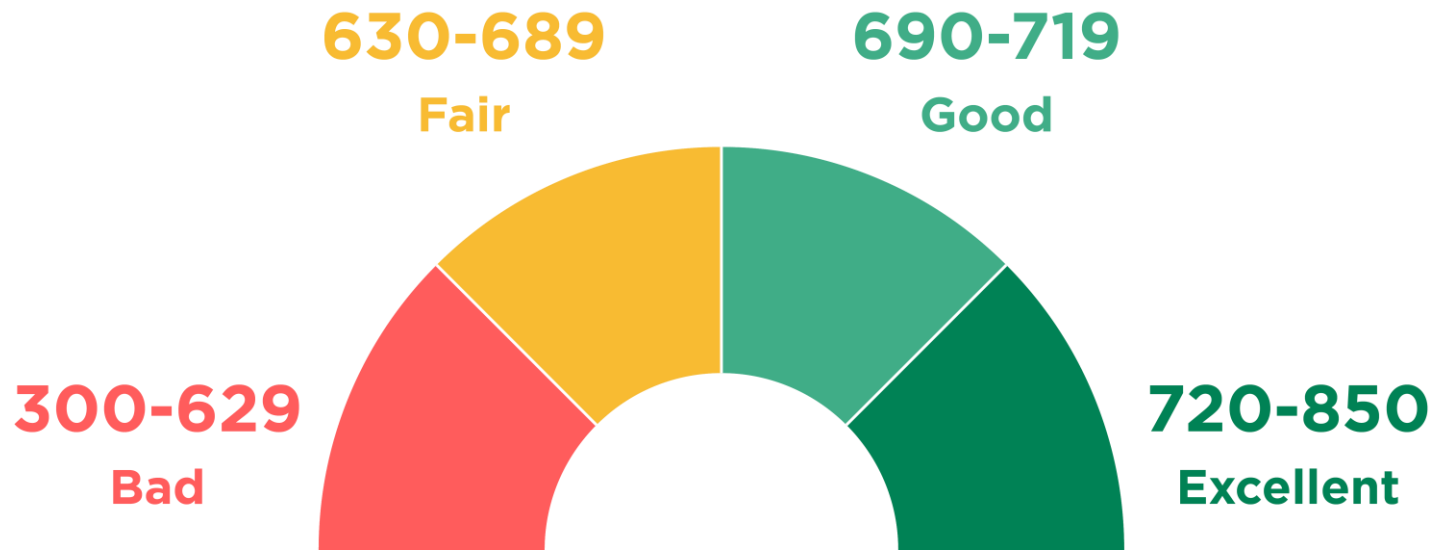


	07/2015	06/2015	05/2015	04/2015	03/2015	02/2015	01/2015	12/2014	11/2014	10/2014
Balance	\$9,837	\$9,315	\$3,159	\$4,123	\$6,427	\$3,920	\$1,923	\$9,673	\$4,720	\$4,375
Scheduled Payment	\$98	\$93	\$31	\$41	\$64	\$39	\$25	\$96	\$47	\$43
Amount Paid	\$9,315	\$3,159	\$4,123	\$6,427	\$3,920	\$1,923	\$9,673	\$4,720	\$4,375	\$4,456
Past Due	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Rating	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK

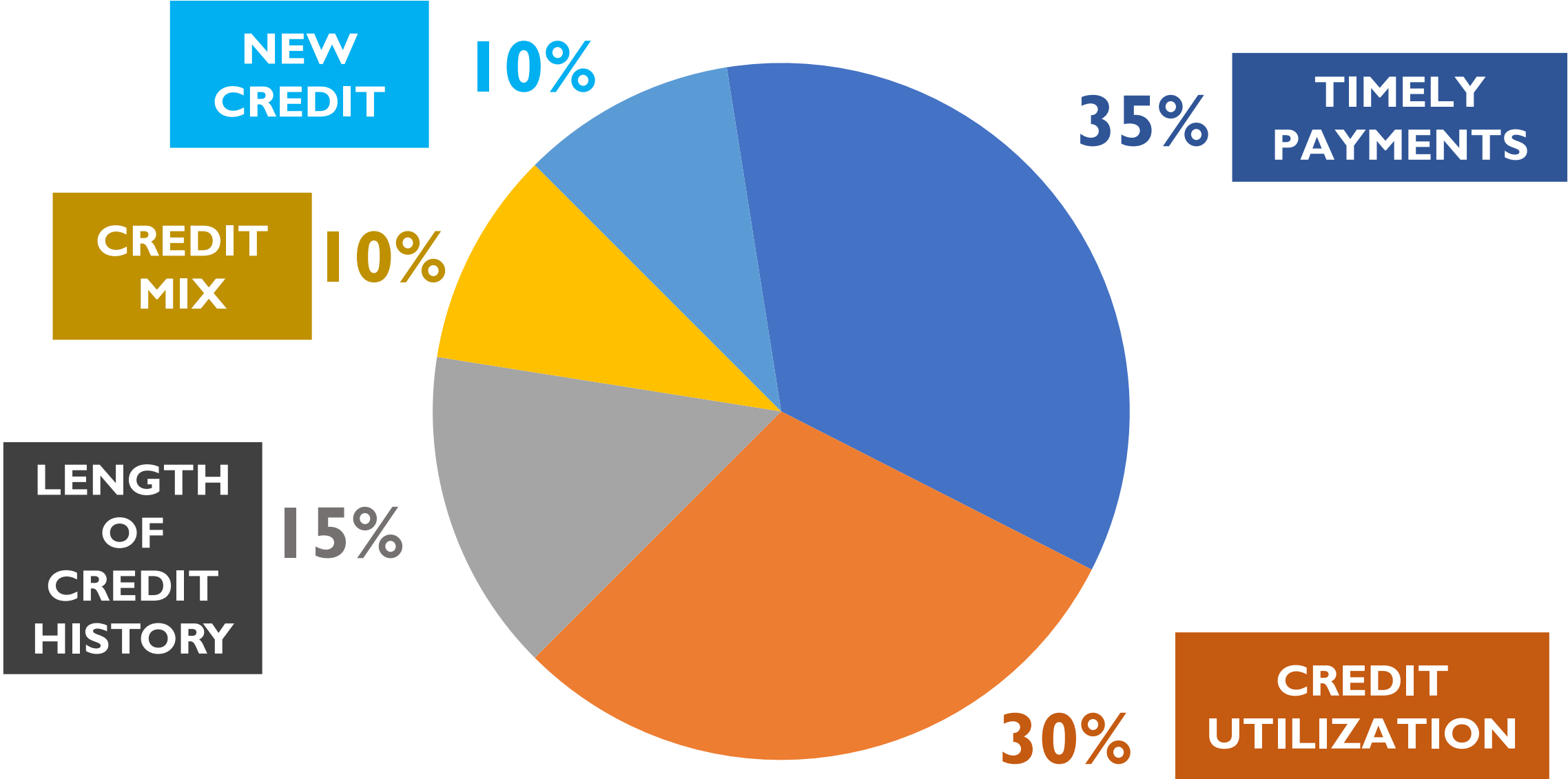
	09/2014	08/2014	07/2014	06/2014	05/2014	04/2014	03/2014	02/2014	01/2014	12/2013
Balance	\$4,456	\$6,818	\$3,638	\$6,723	\$8,503	\$1,707	\$8,797	\$4,243	\$3,995	\$8,821
Scheduled Payment	\$44	\$68	\$36	\$67	\$85	\$20	\$87	\$42	\$39	\$88
Amount Paid	\$6,818	\$3,638	\$6,723	\$8,503	\$1,707	\$8,797	\$4,243	\$3,995	\$8,821	\$4,884
Past Due	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Rating	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK

What's a credit score?

3-digit number that tells lenders how likely you are to repay!



How is a credit score determined?



Why should I care about my credit score?



HIGHER SCORE

LOWER Interest Rates

SAVE thousands of \$\$\$\$\$\$
over a lifetime!



LOWER SCORE

HIGHER Interest Rates

Why?
Lender wants to be **PAID MORE**
for the **EXTRA RISK** that you
may not repay the loan!

Example of cost savings with high credit score

Credit Score
740 – 850
Very Good to Excellent

Interest Rate = 4.250%

Loan Term = 30 years

Principal = \$240,000

Total Payments = \$425,276

Total Interest = \$185,276

Savings = \$45,538

Credit Score
660 – 679
Good

Interest Rate = 5.125%

Loan Term = 30 years

Principal = \$240,000

Total Payments = \$470,814

Total Interest = \$230,814

Top Money Rules for Financially Fit Life!

1. **Pay Yourself First** – *save at least 10% of every paycheck!*
2. **Fund Your BFFs (Best Financial Friends)** – *savings accounts, Roth IRAs and 401(k)s!*
3. **WOW It** – *Wait Out The Wants!*
4. **Know Where Your Money Goes** – *if you don't measure it, you can't manage it!*
5. **Use Credit Responsibly** – *pay on time & pay off your account balance every month!*

