



# District 05 DOTD FCU

## Paving the road to financial success together!

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### Skip a Payment Continues through August

Many members have already chosen to utilize our Skip-a-Payment for June and July. To those of you who haven't already skipped a payment, there is one more month this summer to take advantage of this offer. Please turn your Skip-a-Payment forms in by July 30th to take advantage of this offer.

## *Member Education Section* *Credit Bureau scores-Part 3 of 3*

Although each credit reporting agency formats and reports this information differently, all credit reports contain basically the same categories of information.

### **Identifying Information.**

Your name, address, Social Security number, date of birth and employment information are used to identify you. These factors are not used in credit scoring. Updates to this information come from information you supply to lenders.

### **Trade Lines.**

These are your credit accounts. Lenders report on each account you have established with them. They report the type of account (bankcard, auto loan, mortgage, etc), the date you opened the account, your credit limit or loan amount, the account balance and your payment history.

### **Credit Inquiries.**

When you apply for a loan, you authorize your lender to ask for a copy of your credit report. This is how inquiries appear on your credit report. The inquiries section contains a list of everyone who accessed your credit report within the last two years. The report you see lists both "voluntary" inquiries, spurred by your own requests for credit, and "involuntary" inquiries, such as when lenders order your report so as to make you a pre-approved credit offer in the mail.

### **Public Record and Collection Items.**

Credit reporting agencies also collect public record information from state and county courts, and information on overdue debt from collection agencies. Public record information includes bankruptcies, foreclosures, suits, wage attachments, liens and judgments.

### **About Credit Scores**

When you apply for credit – whether for a credit card, a car loan, or a mortgage – lenders want to know what risk they'd take by loaning money to you. FICO® scores are the credit scores most lenders use to determine your credit risk. You have three FICO scores, one for each of the three credit bureaus: Experian, TransUnion, and Equifax. Each score is based on information the credit bureau keeps on file about you. As this information changes, your credit scores tend to change as well. Your 3 FICO scores affect both how much and what loan terms (interest rate, etc.) lenders will offer you at any given time. Taking steps to improve your FICO scores can help you qualify for better rates from lenders.

For your three FICO scores to be calculated, each of your three credit reports must contain at least one account which has been open for at least six months. In addition, each report must contain at least one account that has been updated in the past six months. This ensures that there is enough information – and enough recent information – in your report on which to base a FICO® score on each report.

### **About FICO® scores**

Credit bureau scores are often called "FICO scores" because most credit bureau scores used in the U.S. are produced from software developed by Fair Isaac and Company. FICO scores are provided to lenders by the major credit reporting agencies.

FICO scores provide the best guide to future risk based solely on credit report data. The higher the credit score, the lower the risk. But no score says whether a specific individual will be a "good" or "bad" customer. And while many lenders use FICO scores to help them make lending decisions, each lender has its own strategy, including the level of risk it finds acceptable for a given credit product. There is no single "cutoff score" used by all lenders and there are many additional factors that lenders use to determine your actual interest rates.

### **More than one credit score**

In general, when people talk about "your score", they're talking about your current FICO score. However, there is no one credit score used to make decisions about you. This is true because:

### **Credit bureau scores are not the only scores used.**

Many lenders use their own credit scores, which often will include the FICO score as well as other information about you.

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**FICO scores are not the only credit bureau scores.**

There are other credit bureau scores, although FICO scores are by far the most commonly used. Other credit bureau scores may evaluate your credit report differently than FICO scores, and in some cases a higher score may mean more risk, not less risk as with FICO scores.

**Your credit score may be different at each of the main credit reporting agencies.**

The FICO score from each credit reporting agency considers only the data in your credit report at that agency. If your current scores from the credit reporting agencies are different, it's probably because the information those agencies have on you differs.

**Your FICO score changes over time.**

As your data changes at the credit reporting agency, so will any new credit score based on your credit report. So your FICO score from a month ago is probably not the same score a lender would get from the credit reporting agency today.

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**How Credit Scoring Helps You**

Credit scores give lenders a fast, objective measurement of your credit risk. Before the use of scoring, the credit granting process could be slow, inconsistent and unfairly biased.

Credit scores – especially FICO® scores, the most widely used credit bureau scores – have made big improvements in the credit process. Because of credit scores:

**People can get loans faster.**

Scores can be delivered almost instantaneously, helping lenders speed up loan approvals. Today many credit decisions can be made within minutes. Even a mortgage application can be approved in hours instead of weeks for borrowers who score above a lender's "score cutoff". Scoring also allows retail stores, Internet sites and other lenders to make "instant credit" decisions.

**Credit decisions are fairer.**

Using credit scoring, lenders can focus only on the facts related to credit risk, rather than their personal feelings. Factors like your gender, race, religion, nationality and marital status are not considered by credit scoring.

**Credit "mistakes" count for less.**

If you have had poor credit performance in the past, credit scoring doesn't let that haunt you forever. Past credit problems fade as time passes and as recent good payment patterns show up on your credit report. Unlike so-called "knock out rules" that turn down borrowers based solely on a past problem in their file, credit scoring weighs all of the credit-related information, both good and bad, in your credit report.

**More credit is available.**

Lenders who use credit scoring can approve more loans, because credit scoring gives them more precise information on which to base credit decisions. It allows lenders to identify individuals who are likely to perform well in the future, even though their credit report shows past problems. Even people whose scores are lower than a lender's cutoff for "automatic approval" benefit from scoring. Many lenders offer a choice of credit products geared to different risk levels. Most have their own separate guidelines, so if you are turned down by one lender, another may approve your loan. The use of credit scores gives lenders the confidence to offer credit to more people, since they have a better understanding of the risk they are taking on.

**Credit rates are lower overall.**

With more credit available, the cost of credit for borrowers decreases. Automated credit processes, including credit scoring, make the credit granting process more efficient and less costly for lenders, who in turn have passed savings on to their customers. And by controlling credit losses using scoring, lenders can make rates lower overall. Mortgage rates are lower in the United States than in Europe, for example, in part because of the information - including credit scores - available to lenders here. Knowing and improving your score can also lead to more favorable interest rates.

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**How to get your credit report at no cost**

To order your free report, go to [annualcreditreport.com](http://annualcreditreport.com). Review your credit report from the three credit bureaus (Equifax, Experian, Transunion) annually. This keeps you up-to-date on the content and allows you to find any inconsistencies within your financial information as you compare the reports. You can obtain your FICO score and find additional services and resources to help manage and protect your credit from Equifax.

Another tool to help minimize identity theft and incorrect information is ALERT ME. ALERT ME is a consumer credit monitoring service that will provide information to help stop credit fraud and identity theft. The service also provides insurance coverage to help defray costs associated with identity theft.

You can access ALERT ME through our website [www.district05dotdfcu.com](http://www.district05dotdfcu.com) to learn more about this program.

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**Online Banking coming soon!**

We are proud to announce that NCUA has given us a grant that will help us implement online banking! We are currently working on this project and hope to have it available to our members soon!

**It's not too late to take that summer vacation!** Come see us to find out if you qualify for a vacation loan so you can take a well deserved summer break!



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8010 Desiard St  
Monroe, La 71203  
PO Box 4068  
Monroe, La 71211



Phone: (318) 342-0145  
Fax: (318) 342-9042  
E-mail: [Service@district05dotdfcu.com](mailto:Service@district05dotdfcu.com)

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