



UNDERSTANDING CREDIT

★ CREDIT IS AN IMPORTANT FINANCIAL TOOL

Credit can be a valuable part of your long term financial plan. It can be used for large purchases, such as college education, a new vehicle, or a home. It even helps you build a credit reputation (summarized in a credit report). However, credit can be dangerous if misused. Some individuals make the mistake of viewing credit as a license to spend. Poor spending decisions can leave you deeply in debt and damage your credit reputation for years. Understand how credit works and make wise decisions with these tips.

★ CREATE HEALTHY CREDIT HABITS

Boost your overall financial well-being by using credit responsibly. Practice the following healthy credit habits to improve your credit reputation and limit unnecessary debt.

- Create and follow a spending plan, so that you don't overspend and take on debt.
- Pay bills on time. Do not skip payments.
- Strive to pay off credit cards in full each month. If you have to carry a balance, try to keep it as low as possible.
- Do not apply for credit you do not need.
- Keep credit card and loan information in a safe, secure place to reduce the risk of identity theft.
- Keep your receipts and compare charges when your billing statements arrive. Call your bank, credit card or finance company immediately if there is a discrepancy.



★ UNDERSTAND YOUR CREDIT REPUTATION (CREDIT REPORT)

Your credit report is a record of your payment history with creditors. Lenders, employers, landlords, insurers and other businesses often evaluate this report to determine if you are dependable and to make decisions about your creditworthiness. Your credit report shows the following:

- How much credit you are using
- How well you pay your debts
- Who is inquiring about your credit
- Information on bankruptcies or federal income tax liens

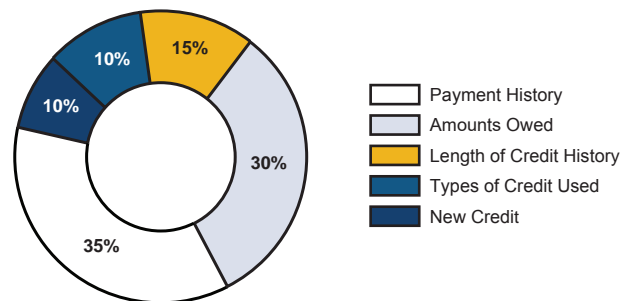
★ KNOW THE FACTORS DETERMINING YOUR CREDIT SCORE

Credit scores may range from 300 to 850 depending on the credit scoring model. Most lenders consider people with scores above 660 to be fair credit risks. Scores below 600 may indicate credit problems.

A FICO Score is one credit score model and is considered by lenders to be the industry standard for determining how likely a person is to repay a loan. The chart on the right indicates the five key components of a FICO credit score.

Payment history and amounts owed are responsible for approximately 65% of your credit score, so be sure to make payments on time and keep debt levels low. According to financial experts, payments made later than 30 days from the due date can hurt your credit score, as well as carrying credit card balances larger than 30% of your available credit limit.

Be sure to keep all five credit score components in check to maintain the highest possible score.



You can request your free annual credit report and dispute any errors through the Annual Credit Report Request Service (annualcreditreport.com), a centralized contact created by the three nationwide consumer reporting agencies, Equifax, Experian and TransUnion.