

Credit 101



**Sacramento
Financial
Empowerment
Center**

*Free One-on-One
Financial Counseling*



INTERNATIONAL
RESCUE
COMMITTEE

City of
SACRAMENTO

What is credit?

- A way to tell a potential lender whether or not you are a risky person to loan money to. Your credit shows your past history of borrowing money and paying it back



When you ask a bank or lender for a loan, you are a stranger to them.

In the United States, **the credit system** helps banks and lenders know if someone can be *trusted with money* without knowing them.



Why is credit important?

- Helps banks and lenders know if someone can be *trusted with* money without knowing them!

Who might want to know about your credit?

- Lenders or people you will be responsible for paying money to
- Credit Card Companies
- Loan Companies
- When purchasing a car
- When looking for a mortgage to buy a home
- When you want to rent an apartment



Good Credit

Good credit, means you are someone who is **trusted** with money and who has a **history** of paying bills and loans back **on time**.

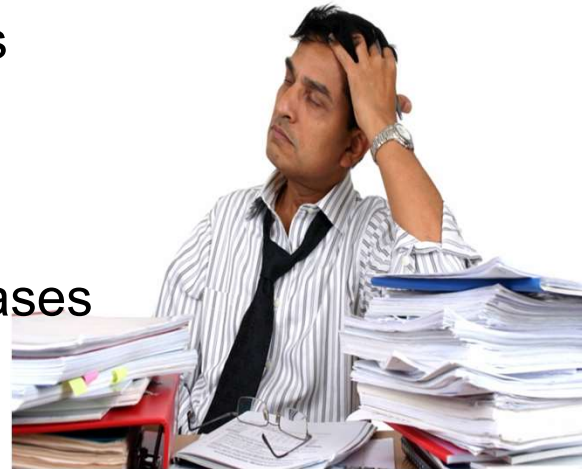


- **More affordable**
 - Lower interest rates
 - Higher credit limits
- More housing options
- Ability to make larger purchases

Bad Credit



Bad credit, means you are **NOT** someone trusted with money and you have a history of **NOT** paying money back on time.

- Harder to get affordable loans
 - Higher interest rates
 - Lower credit limits
- Less housing choices
- Difficult to make larger purchases

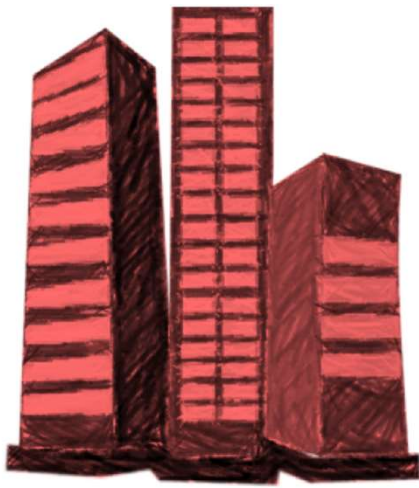


No credit is not bad!

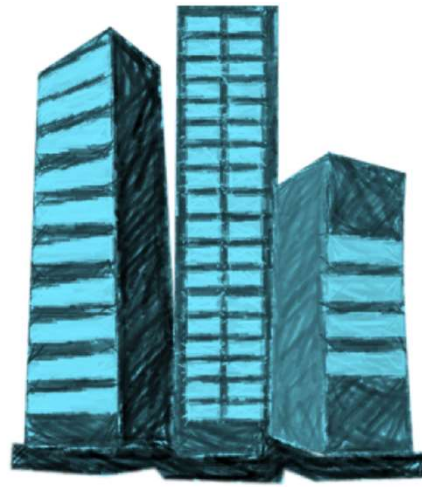
WHY IS GOOD CREDIT IMPORTANT?

	Mortgage Rates Typical \$160,000 loan with a 30-year fixed mortgage	Auto Loan Rates Typical 5-year auto loan of \$25,000	Credit Card Rates Credit card rates will vary due to many different factors
Bad Credit	 9.5% Interest Paid: \$259,000	 18.9% Interest Paid: \$13,828	28.9% Default Rate: 75% <small>More likely to incur an annual fee</small>
Acceptable Credit	 4.9% Interest Paid: \$117,000	 11% Interest Paid: \$7,614	13.9% Default Rate: 15-30%
Excellent Credit	 3.9% Interest Paid: \$89,000	 5.1% Interest Paid: \$3,375	7.99% Default Rate: 2% <small>More likely to offer rewards</small>

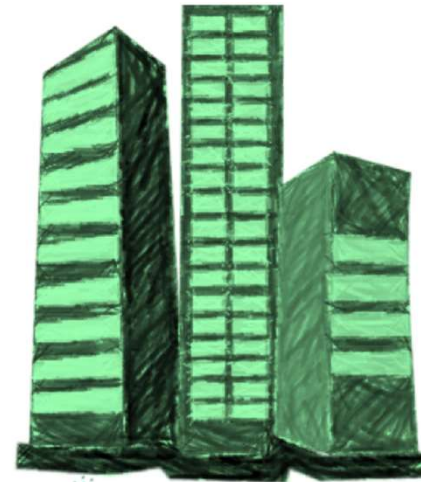
Where do credit scores come from?



EQUIFAX®



 **Experian**™



 **TransUnion**®

Key Scoring Factors



Payment History

Outstanding Debt/Credit Utilization

Length of Credit History

Inquiries/Applications

Credit Mix

Payment History



Strong Credit Profile:

Make all payments on time!

Get back on track quickly after missing a payment

Regularly use credit accounts



Strong Credit Profile:

Outstanding Debt

Keep credit card balances low

Avoid maxing out any one credit card



Strong Credit Profile:

Length of Credit History

Avoid closing old accounts

Be patient, credit building takes time



Strong Credit Profile:

Inquiries

Only apply for credit when you need it!

Credit Mix



Strong Credit Profile:

Build a robust credit profile that shows that you can manage different types of credit accounts well

What is a credit report?

A credit report shows your **history of paying back money in the United States** and explains why your credit score is what it is.



Who can see my credit report?

LENDERS



LANDLORDS



WITH YOUR WRITTEN CONSENT!

Who can see my credit report?



YOU!

It is a federal law that each person is able to look at their credit report **once a year** from each bureau **for free**.

Remember, You Have the Right to:

- ✓ Receive one free copy of your credit report from each Consumer Reporting Agency each year (and maybe more frequently in specific circumstances).
- ✓ Be informed if you are denied for a loan or receive unfavorable terms because of negative information on your credit report.
- ✓ Dispute information believed to be incorrect with credit bureaus and/or with the original furnisher.
- ✓ Receive a new free copy of a credit report if you dispute something successfully.

What is the FEC?

- A City of Sacramento public service providing free 1:1 financial coaching to anyone 18yo+ in Sacramento
- There are no eligibility requirements or income limits
- Services are available in English, Spanish, Dari, Farsi, Urdu and other languages upon request

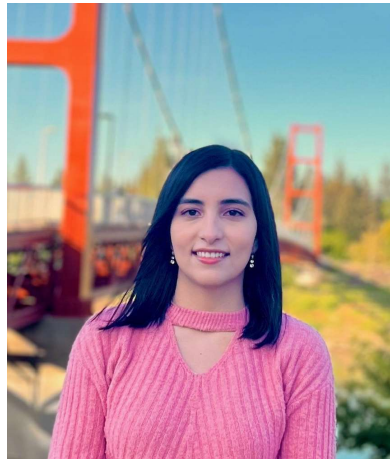
Our Financial Coaches

- Complete training on personal finance and coaching skills
- Pass an exam with CFE Fund (sponsors a network of 30+ FECs nationally)
- Complete ongoing Continuing Ed

Sumaya Noori



Jennyfer Ochoa



**Gina R Richardson,
CFEd.**



LaShon Shaw



What It's Like To Work with a Coach...

- First appointment: 60-90 minutes
 - We do a **Financial Health Assessment** to understand your finances currently
 - We do a **Money Tracker** to track all income and expenses together
 - We run **Credit Reports** (these do NOT affect your credit score)
 - We **Establish Goals** for your budget, banking, credit, debt, and savings
- 2 weeks later (+/-), follow up appointment: 30-60 minutes
- You and your Financial Coach decide how often you'll meet to support goals

Other Ways We Can Help

- Ongoing relationship builds accountability and increases chances of success over time
- Accessing consumer-friendly lending products
- Referrals to MOSAIC small business program
(workshops, technical assistance, access to capital)
- Clients can pause coaching and start again at any time
- [Some of our Success Stories](#)

Contact Us

- To request an appointment with FEC Coach:
 - Email: FEC@cityofsacramento.org
 - Call: 916-808-4927
 - Use this [SCHEDULING TOOL link](#)



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