## We Can Help

Once you're familiar with your credit score and should you discover that there's room for improvement, we have resources available at **www.nwfcu.org** to help you take charge of your personal finances, including:

- **BALANCE℠ Financial Fitness** – Learn the core aspects of personal financial management with the BalanceTrack® series of online courses. You'll find topics ranging from checking account management to buying a car, buying a home, tax planning and the basics of investing. Plus, BALANCE offers podcasts, videos, articles, and counseling to help you reach your short and long-term financial goals.
- **Member Solutions** – If you're experiencing financial difficulties and aren't sure where to turn, don't be afraid to reach out to us for assistance. We want to help. Whether you've already fallen behind in your payment obligations or think it may happen, our goal is to help you protect or rebuild your credit and, if possible, avoid foreclosure or repossession. Contact our Member Solutions Group for assistance at **800-336-3384, x4310**.

Information courtesy of BALANCE Financial Fitness Program.
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## Member Service Center

**Hours**
M–F: 7 am–7 pm ET
Sat: 8 am–1 pm ET

**Phone**
703-709-8900
844-709-8900 (toll-free)

**Fax**
703-925-5113

**TTY**
703-709-8919

## Web Services

**Website**
www.nwfcu.org

**Email**
nwfcu@nwfcu.org

## ABA Routing Number

**256075025**
Direct deposit, inbound wire transfers, ACH transactions

NORTHWEST
FEDERAL CREDIT UNION

Chantilly | Gainesville | Herndon | Leesburg
Manassas | Vienna | Village Center (Herndon)

CO-OP ATM · Alliance One · CUHERE · STAR · Cirrus · CO-OP SHARED BRANCH

EQUAL HOUSING LENDER

**Federally insured by NCUA**
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WC (10/2017) 2M

# A Guide to Your Credit Score

NORTHWEST
FEDERAL CREDIT UNION

YOUR LIFETIME FINANCIAL PARTNER

Your credit score can have a major impact on your life. Not only do creditors check your score when deciding whether or not to approve your loan application and what interest rate to charge you if you are approved, but landlords, insurance companies and even employers often check it as well. Having a good score can help you achieve your financial goals quickly and at the lowest possible cost.

## What is a Credit Score?

Your credit score is a mathematical assessment of the likelihood you will repay what you borrow. It's based on the information in your credit report, which tracks your credit-related activity.

Types of credit include credit cards, store cards, personal loans, car loans, mortgages, student loans, and lines of credit. For each account, your report shows who is on the account, your payment history, the initial amount borrowed, the current amount owed, and when the account was opened. Your report also shows if you have experienced any credit-related legal actions, such as judgment, foreclosure, bankruptcy, or repossession, and who has obtained your report.

The most commonly used model is the FICO® Score, a number between 300 and 850. A score of 730 or higher generally indicates a safe risk, and people within this category usually qualify for the lowest rate loans. On the other hand, a low score can affect your loan rates and can also be a factor in whether you're approved for other essentials, including: apartment rental, insurance, and even employment. Maintaining the highest possible credit score is definitely in your best interest.

## Five Factors That Comprise Your FICO Score

- **Payment history (35%)** – Making your payments on time boosts your score. Conversely, if you make a late payment, your score will suffer. The more recent, frequent, and severe the lateness, the lower your score. Collection accounts and legal actions have a serious negative impact.
- **Amounts owed (30%)** – Carrying large balances on revolving debt, like credit cards, particularly if those balances are close to the credit limits, will lower your score. Keep your credit card balances below 15–25% of your total available credit limit. Being too close to your credit limits is a warning sign that you may be overextended.
- **Length of credit history (15%)** – The longer you have had your accounts, the better.
- **New credit (10%)** – This factor looks at the number and proportion of recently opened accounts and the number of inquiries. While many inquiries on your report will lower your score, all mortgage or auto loan inquiries that occur within a 45-day period are considered just one inquiry for scoring purposes. Accessing your own report is not damaging to your score nor are inquiries from pre-approval offers. Having new accounts can hurt your score, but if you have had a history of late or irregular payments, reestablishing a positive credit history will be taken into account.
- **Types of credit in use (10%)** – Having a variety of accounts, such as credit cards, retail accounts, and loans, shows responsible money management across several formats and boosts your score.

## Get to Know Your Score

Although you can obtain free copies of your credit report from **www.AnnualCreditReport.com**, these reports don't include your score. As a Northwest Federal member, you can get a low-cost credit report with your score from our partners at BALANCE℠ Financial Fitness. You can also speak with a credit report specialist who'll review your report with you over the telephone, line by line, for free. To contact BALANCE, call **888-456-2227**.

A review of your credit report is the best starting point to re-establishing good credit. You cannot remove timely and accurate negative information, but you can correct mistakes. It's important to request that any inaccuracies be removed from your report, as these errors can lower your credit score, making credit more difficult to obtain and expensive to use.

Most negative information is removed from your credit report and doesn't impact your score after seven years. Fortunately, positive information can remain on your credit report indefinitely.

## Improving Your Score

Following these habits can boost your score:

- **Pay on time.** Your payment history makes up the largest chunk of your credit score, so making your payments on time is extremely important. Consider enrolling in automatic loan payments to ensure your payment always arrives on time.
- **Pay down existing debt.** Even if you have never missed a payment, a large debt load will lower your score. Explore ways you can lower your interest rates and free up cash to make more than the minimum payments.
- **Avoid taking on additional debt.** Besides paying down existing debt, make an effort to not take on more debt in the future. For revolving credit, ideally you shouldn't charge more than you can pay off in full the next month, but at the very least, try to keep the balance well under half of the credit limit.
- **Check your report for errors.** Many reports contain score-lowering errors. Check your credit report from the three bureaus at least annually, and send a dispute letter to them if you notice any errors.
- **Keep your oldest accounts open.** A long credit history with the same accounts indicates stability.
- **Limit balance transfers.** Transferring high-rate credit card balances to a lower rate card can be an efficient way to get out of debt. However, make sure you understand the balance transfer offer, rate and any applicable fees before transferring debt. Also, be cautious of opening too many new accounts with balances close to the available credit limit—two factors that lower your score.
- **Avoid excess credit applications.** When you apply for credit, your score decreases just a bit. If you do it frequently, a creditor may see it as a sign that you need to rely on credit to pay your obligations.
- **Be patient.** It may feel like credit mistakes can haunt you forever, but remember that your payment history from the past two years is much more important than what happened before that.