

## **Introduction to Credit Podcast**

**Basil:** Hello everyone! Thank you for taking the time to listen to this podcast. Today, we wanted to share with our members some insight on Introduction to Credit, we want to discuss some of the frequently asked questions about credit reporting and credit scores, how they work and what you should do to build a good credit history.

Let me introduce myself, my name is Basil Parlett and I am the Manager of the Business Development team here at Bank Fund Staff Federal Credit Union.

Our guest speaker today is Mr. Daniel Rogan. Mr. Rogan is the General Manager of the Credit Union's Lending Services department. Dan has worked closely with our members for over 20 years.

Hi Dan! Welcome to our BFSFCU' first podcast.

Dan Rogan: Thanks!

**Basil:** Dan, let me start off by asking you that I am sure many of our members who have been in US for the first time ask this question: What is Credit and why do we need it in the United States?

It's very good question Basil. What is credit is usually a personal loan given by a financial institution that will allow you to go out and make various purchases. Credits considered a credit card, a personal loan a car loan or a mortgage and why do we need it in the United States? Well, most of our economy now is credit driven. A lot of people don't carry cash in their pocket. The credit allows you to make these purchases without carrying cash and allow you also to do buy the things that you don't necessarily have the funds ready for such as a mortgage, a car or even that new suit or something you see in the store. It's the ready supply of money but through credit.

**Basil:** So when you have credit in a credit history, they rated on something like it's called a credit score right?

**Dan:** Correct.

**Basil:** What so what's the difference between a credit score and a credit report?

Dan: A credit report has many things to it. Has your name. If you have a Social Security number, it'll have a Social Security number on it. Your place of employment also to where you've lived and where you've lived over a substantial period of time to be honest with you. It has my address is going back to the 1990s. Also to, it has what we call Trade lines. Trade lines are the various accounts that you have at places such as a Visa card, a store card, a mortgage, an auto loan. That is the credit report. The credit score for lack of a better term is the numerical value placed upon all that information.

**Basil:** It's like a summary, like a grade.

**Dan:** Basically it's a grade of that complete credit report.

**Basil:** So how the credit score is calculated?

**Dan:** That's up at times for a lot of debate depending on which credit score model is being used. It could come out a 20 point difference. It all depends on the model that's being used by that particular lender.

**Basil:** So what's a good credit score? Is there a letters or numbers? How does that work?

**Dan:** It's a numerical value. They range from 300 to 850. I'll be honest with you. I've never seen a 300. I have seen a 500 and there were very few accounts on that that were paid what a lender would call as agreed what you pledge to do? I have seen 850. 850 was excellent. I have seen 700 which is excellent. A good credit score. You may ask is around 700. 700 is probably the optimal credit score to get all the goods and services that you are looking for. The average credit score in the United States right now is 712 prior to 2008 and the financial crisis that we had. It was much higher. It was 725.

**Basil:** Now that we know the difference between Credit Score and Credit Report, let's talk about what you need to establish credit. As a new US immigrant or G4 Holder, how can someone establish Credit in the United States? What is the first step?

**Dan:** Normally the first step is getting a credit card. That's the foundation of building credit. That starts you on your way to other products: mortgages, cars, and personal loans. This is the first step

**Basil:** Dan would you be able to provide us with some understanding on what resources do our members need to gain credit?

**Dan:** Yes first and foremost US income, a U.S. Address, a social security number, but that's if you have one.

**Basil:** So you don't need one. If you don't have one.

**Dan:** No, you do not need a security number to get credit from Bank Fund staff Federal Credit Union. Our philosophy is no credit does not necessarily mean bad credit. Therefore, you do not need a social security number or credit history to open up credit here at Bank Fund. Other organizations and financial institutions, they will have their own specific rules that you will need to be in compliance with.

**Basil:** So what in your opinion, what is the ideal number of credit cards to have?

**Dan:** Well that's very personal. usually two major credit cards, perhaps one or two store credit cards. That's usually the ideal number. It will depend on your own personal situation and what your needs are at that time.

**Basil:** What is a credit inquiry and does it take anything away from my credit score?

**Dan:** Credit inquiry is when you or perspective lender makes inquiry into your credit history. As for the points will take off. If you're making your own personal inquiry, it should not however, if a prospective lender is making an inquiry. It may take points off depending on the product you're looking for.

**Basil:** Some people are anxious about their credit score. If they check their credit score numerous times will that hurt?

**Dan:** If you're personally checking your credit score it should not. But you need to keep in mind depending on the service you're using there may be a fee.

**Basil:** Dan, we've talked a lot about credit scores and credit reports. But what would you say affects the credit score the most?

**Dan:** The amounts owed. It's a good rule of thumb never to use more than 60 to 70 percent of a credit cards balance. Your payment history. It may sound very very simple, but pay your cards on time and as you have agreed to do. Also to, new credit many times you go out and people are offering you credit worth of bonus features. They may not be good for you in the long run, be diligent and the new credit cards that you select that being said also, your credit history mix. You don't want to be very heavy or totally heavy in credit cards. You want to have credit cards, because in this day and age credit cards are important to everyday life. That being said, you also want a good mix of installment loans such as automobiles and also to your mortgage. Having a mortgage will show that you have a very very stable credit history and that you are able to make your payments on time and as agreed. As a caveat to this, if you'd would miss a payment that detrimental information can stay on your credit report for up to seven years.

**Basil:** Dan, you mention that members can get a free copy of their credit report from each of the credit reporting agencies. Where should they get that copy?

**Dan:** That could be found that [annualcreditreport.com](http://annualcreditreport.com) there I recommend as you said you could get a copy of it from each the reporting agencies A good rule of thumb is to stagger that out through the year so that you're looking at it in four month intervals that you see your credit history as it goes through the year and anything that you see can be flagged and acted upon right then and there.

**Basil:** Now I have these credit reports. What if something's wrong on the report, who do I call to get it fixed?

**Dan:** First place to call is a credit reporting agency. They will make a note that you believe there's an error on your credit report. The second place to call is the institution that's reporting to delinquency. Once you do that, there is a 30-day investigation period that they are obligated to do an investigation and find out if the information is correct or not.

If the information is incorrect, it must be removed from your credit report. In the meantime, you have the right to put a disclaimer or a consumer statement on your credit report stating what you believe is the incorrect information. If I could add another item, many employers look at your credit history and many insurance companies also look at your credit history to make sure that you are portraying yourself as you should.

**Bail:** All right, you mentioned an employer or an insurance company. Can they just go out and get my credit score? Do I have to give permission to sign something out?

**Dan:** Absolutely, anytime your credit score or history is pulled you have to agree to it. But if I could add one other item to that I want to make sure that people are aware of, is many times depending on where you live. If you have a traffic infraction, you know speeding ticket parking ticket. Many jurisdictions now are reporting this to the credit reporting companies. So you want to make sure that you are paying any traffic infraction or violation on time.

**Basil:** Alright, so to wrap up, I want to say thank you to our General Manager of Lending Mr. Daniel Rogan for making the time to sit with us and share with us insights on credit and how it works. And a

special thanks to all of you, who tuned to listen to our first podcast. Check out on our website at [bfsfcu.org/seminars](https://bfsfcu.org/seminars) to learn more about our seminars and events. Thank you.