

Credit Scores

Jason Mizell, MD FACS FASCRS

Associate Prof Surgery

Dept of Colon and Rectal Surgery

Program Director Transitional Year

Director Business of Medicine

University of Arkansas for Medical Sciences

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Questions to Cover

1. What is a Credit Score?
2. What does your Credit Score mean/not mean?
3. What is a FICO score?
4. What affects a Credit Score?
5. Why do I have multiple credit scores?
6. How can I check my Credit Score?
7. Why is my Credit Score important?
8. How long does bad stuff stay on my report?
9. How can I improve my Credit Score?

Credit Definitions

- Credit - Trust given to another person for future payment of a loan, credit card balance, etc.
- Creditor - A person or company to whom a debt is owed.

Credit Score

- “The application of statistical methods to credit data with the intent of predicting the likelihood of some credit-related event taking place.”
 - Makes use of credit history information
- It tells the probability that an individual will act a certain way.

1. What is a Credit Score?

- A number that helps a lender (eg bank) predict how likely an individual is to make payments on time
- Tells a lender how safe it is to lend money to you
- Your credit history is constantly changing → your credit score/rating can change over time
- Typically determined by one of the major credit reporting bureaus

2. What Does Your Credit Score Mean?

- High number = you are safe to lend to
- Low number = you are risky to lend to
 - If you get a loan at all, it will come with a price (high interest rate)
- “Your credit past is your credit future”

What Does a Credit Score Not Indicate?

- Ability to save money
- Overall financial net worth
- Annual salary
- How good of a person you are

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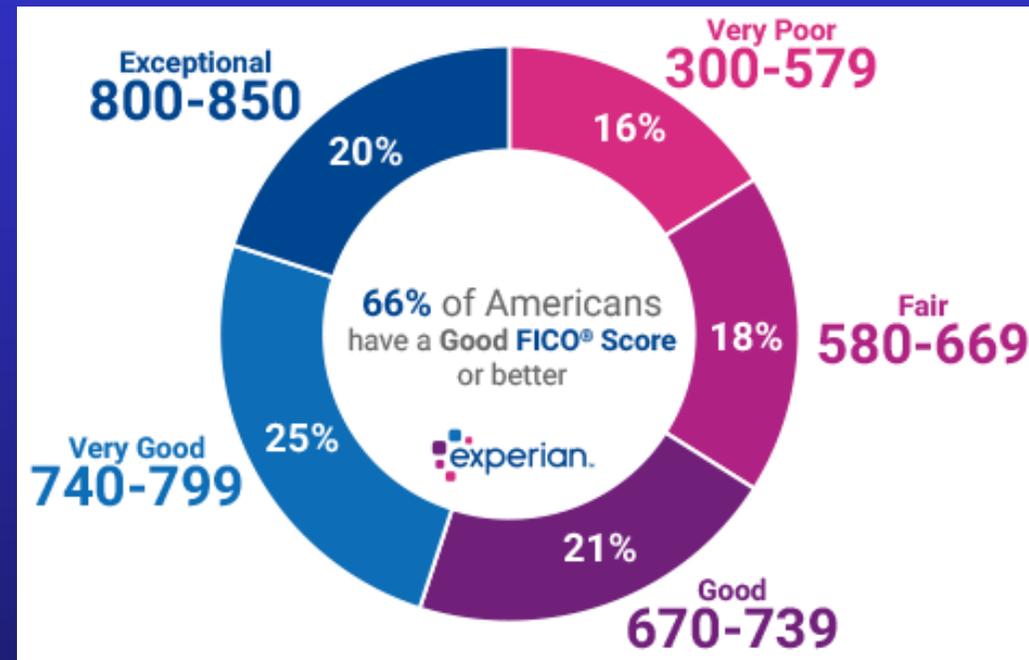
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3. What is a FICO Score?

- In 1956, a mathematician and an engineer founded a company (The Fair Isaac Company or FICO) on the principle that data can improve business decisions.
- In 1958 FICO built its first credit scoring system for American Investments.
- In 1981 FICO introduced their first credit bureau risk score.
- One of many companies that has a credit scoring model
 - The Amazon of credit scores

Credit Ranges

- **Exceptional:** 800+
- **Very good:** 740 to 799
- **Good:** 670 to 739
- **Fair:** 580 to 669
- **Poor:** 579 and below



4. What Affects a Credit Score?

1. **Payment History (35%)**
 - Late payments may lower the score
 - Late payments are one of the worst things you can do
2. **Amount Owed (credit to debt ratio) (30%)**
 - Owing too much may lower the score, especially if the accounts are approaching the total credit limit (<25% is ideal)
3. **Length of Credit History (15%)**
 - Old accounts are better
4. **New Accounts (10%)**
 - Do not open multiple accounts in a short period of time
5. **Types of Credit (10%)**
 - Mortgages, Revolving, Installment



4. What Else Affects a Credit Score? (cont)

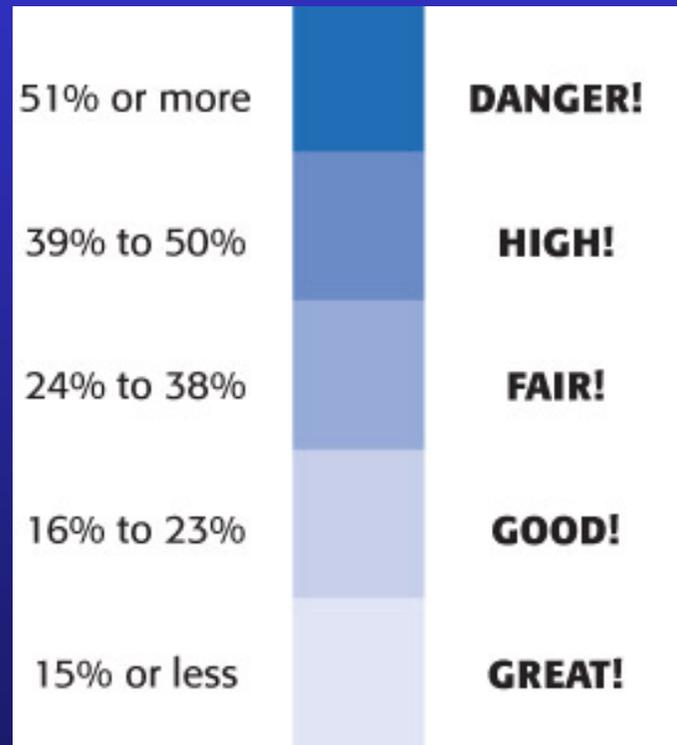
6. Inquiries

- Whenever someone else, i.e. a lender, gets a credit report, an inquiry is recorded on that credit report.
- A large number of recent inquiries may lower the score

7. Open Accounts

- The presence of too many open accounts can lower the score, regardless of whether the accounts are being used or not
- Closing accounts will likely cause the utilization rate to go up which may lower the score

Debt to Income Monitor



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5. Why Do I Have Multiple Credit Scores?

- Multiple bureaus exist which calculate your score
- Credit scores can vary depending on:
 - Which scoring model is used (FICO, Equifax Credit Score, etc)
 - Which consumer credit bureau reports the scoring model uses
 - ⑩ Equifax
 - ⑩ Experian
 - ⑩ TransUnion
 - Each bureau can have different information about you, so scores can vary
- If there is a discrepancy larger than 5-20 points between your scores, this may be an indicator of possible errors.

VantageScore

- Another popular credit score
- Only been around for about 10yrs
- Takes less time/data to generate a score
 - Advantage for consumers
 - FICO requires at least six months of data
 - VantageScore approx. one month.

6. How Can I Check My Score or Report?

- Three bureaus required by law to provide your **report** to you once per year for free
 - Considered a “soft pull”
- Credit cards
- Mint.com

Screen images simulated

EQUIFAX[®]



TransUnion

freecreditreport.com[™]

a part of Experian[®]



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Your FICO® Score

Current score

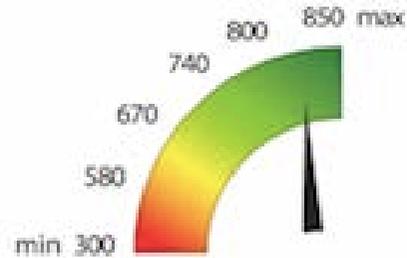
Score history

FICO

841

The score lenders use.™

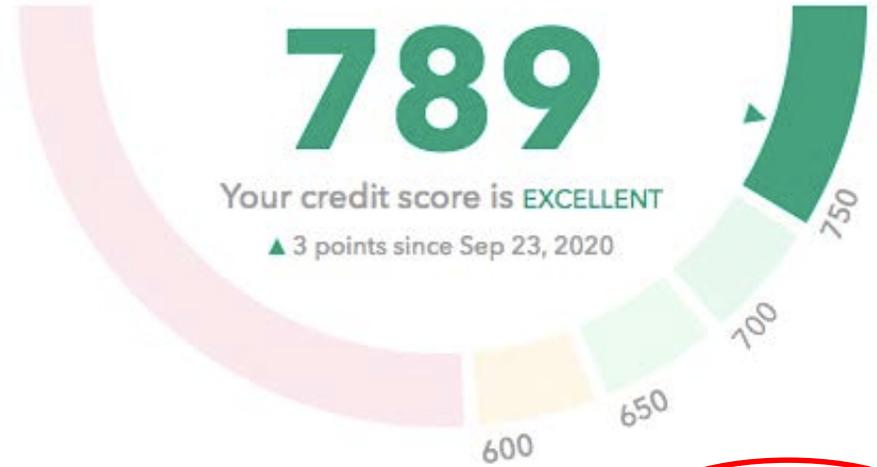
Your FICO® Score last updated on 09/22/20



789

Your credit score is EXCELLENT

▲ 3 points since Sep 23, 2020



798

▲19

FICO® SCORE 8 [Learn more](#)

Experian Data Oct 5, 2020

300



850

Very Good

Your FICO® Score

Current score

FICO
841

The score lenders use.™

Your FICO® Score last updated on 09/22/20

Score history



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EQUIFAX

TransUnion^{tu}

experian.

	EQUIFAX	TransUnion ^{tu}	experian.
Total Accounts	26	28	28
Open Accounts	11	9	8
Closed Accounts	15	19	20
Delinquent	0	0	0
Derogatory	0	0	0
Public Records	0	0	0
Inquiries	1	2	3

Credit Report

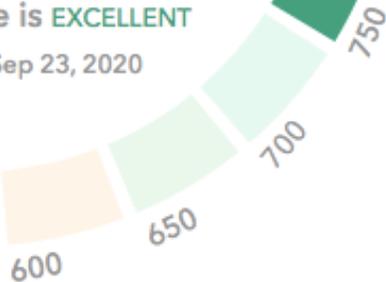
- Credit reporting agency will usually provide up to 5 reasons that are most heavily influencing that particular score
- These reasons are usually negative, because they are the reasons why the credit score isn't higher



789

Your credit score is **EXCELLENT**

▲ 3 points since Sep 23, 2020



Nice job! The world is your oyster

You're a credit score champ! Stay on top of your game to make sure you have the best loan options available to you.

Below are the 6 factors affecting your TransUnion VantageScore® credit score. Last updated on Oct 01, 2020

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Your on-time payments

100%

EXCELLENT

Stay on track of your payments with bill reminders so we can notify you of upcoming payments.

[View Details](#)



Your credit usage

39%

GOOD

Contacting your creditors and requesting a credit line increase may be a great way to add to your total available credit.

[View Details](#)



Avg. age of your credit

8.4 yrs

GOOD

You're doing a good job building your credit history. Try not to close any of your old accounts or open too many new accounts.

[View Details](#)



Your total accounts

27

EXCELLENT

Try not to close any of your accounts. Consider connecting your accounts to Mint to track balances and spending.

[View Details](#)



Your credit inquiries

1

EXCELLENT

Try not to apply for new credit too often. Inquiries stay on your report for two years and may raise a red flag.

[View Details](#)



Your derogatory marks

0

EXCELLENT

Continue the great work and don't let false data or ID theft hurt your score. Protect your accounts by checking your credit with Mint regularly.

Soft vs hard inquiries

- Hard inquiries
 - Credit checks by potential creditors
 - Can show up on credit report → negatively affect your score
- Soft inquiries
 - Credit checks by employers, housing, insurance agencies
 - Does not show up on credit report

7. Why is My Credit Score Important?

- Determines whether or not you are approved for credit
- A major factor in determining the terms of the loan/credit
- Lower Score = Higher Interest = More cost!
 - Subprime Loans = Loans offered to less than desirable candidates. They will come with higher rates and more fees
- A bad credit score can:
 - Make it difficult to rent an apartment
 - Get an affordable home loan
 - Land a job
- **On a \$150,000 mortgage → 1% higher interest rate could cost you \$31,000 over 30 years.**

August 14, 2017

Prepaid Legal Services and ID Theft Protection Added to Benefit Options

The University of Arkansas System has added two new voluntary benefit programs starting this month. These are available to all benefit-eligible employees, meaning those who are eligible to participate in the University's medical insurance plan.

These benefits will not be payroll-deducted, but will be available on an individual pay basis at a large group discounted rate. These products and companies were selected via a thorough Request for Proposal process, allowing the University to select the most complete and competitive offerings in the market.

ID Watchdog was selected to offer complete identity theft protection. No one can prevent identity theft, which is why it's important to find it fast and resolve any issues before it impacts you and your family's life. Click [HERE](#) for details.

LegalShield was selected to offer prepaid legal services. As a LegalShield member you would have access to attorneys who can provide advice or assistance on a variety of personal legal issues. Click [HERE](#) for details.



**IDENTITY INTELLIGENCE
& PERSONAL DATA MONITORING SERVICES**



YOUR TRANSUNION CREDIT REPORT IS LOCKED

10/06/20 9:20 AM

Dear Jason,

Your TransUnion credit report was locked on 10/06/2020.

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8. How Long Does Bad Stuff Stay on My Report?

- The longer a negative item is on your report, the less it counts
- Bankruptcy - 10 years
 - Score can drop 130 to 200 points for bankruptcy
- Late payments - up to 7 years from when the delinquency occurred
- Collection accounts - 7 years
- Hard inquiries - 2 years on credit report
 - Only affect your credit score/history for 12 months.

9. How Can I Improve My Credit Score?

- Pay bills on time (automation)
- Correct mistakes
- Pay off debt
- Don't open a lot of new accounts too rapidly
- Shop for loan rates within a short time period
- Keep balances low on revolving credit
- Wait for negative entries to fall off the report

Summary

- A credit score/rating is a measure of a person's ability and willingness to make credit payments on time
- Your score can change quickly!
- The Fair Isaac Company (FICO) generates a score ranging between 300-850 that lenders use to evaluate risk of loaning to you
- Credit scores have an impact on how much you will pay for the use of credit
- There are simple ways to help improve your score!

Questions?