



**Consumer Credit Counseling
Service of Buffalo, Inc.**

Your Gateway to Financial Education & Positive Change

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Summer Newsletter 2009

Credit Card Tips:

Advice on Closing Credit Card Accounts- One way that your credit score drops quickly is due to lowering your available credit by closing accounts. When you close an account, it no longer adds to your total amount of available credit. A large portion of your credit score is factored on the amount owed -- 30 percent of your credit score. So one-third of your score measures the amount of debt against the credit limit. For consumers with very low balances, closing newer credit accounts, slowly, can make sense -- especially if the cards sport high interest rates or charge annual fees.

Don't let credit cards sit dormant- If an open account is unused for a long enough period of time, the company can stop reporting it to the credit bureaus. If the account goes unreported, that account is not contributing to your available credit, which affects your credit utilization ratio.

Don't Run Up High Balances- Thirty-percent of the FICO score looks at the amount borrowers owe and then compares it to the amount of credit they have available. This utilization ratio gets unpleasantly skewed when you owe more than 30 percent of what is available to you -- particularly if one card is at or near its limit. The FICO score does want to see a lot of credit, but it would rather see many low balances on several cards rather than one large balance.

Don't apply for new credit repeatedly- New credit accounts lower the average age of your credit history. Also, applying for credit causes a hard inquiry on your credit report. The alternative to a hard inquiry is a soft inquiry, which is what would happen if you pulled your credit report. Inquiries aren't extremely damaging to a credit score, but multiple hard inquiries in a short period of time can get a lender's attention. Most banks or credit card companies try to avoid consumers in these scenarios. However, credit scores do take smart loan shopping into account. When shopping for products such as auto loans or mortgages, consumers are not dingd for each individual auto or home loan-related inquiry within a 45-day window.

Make sure to pay fines or other bills- Other business relationships that don't normally report your good payments can send your accounts to collections, any business, from garbage collectors to cell phone companies.

Don't Ignore Mistakes on Your Report- In order to dispute something on a credit report you may either write a letter of dispute to the credit reporting bureau or try to dispute it while you're checking your credit report for free at annualcreditreport.com

Secure Your IDENTITY Day 2009

Shred Your Personal Documents for FREE and enter for a chance to win free prizes including gift cards and personal shredders. FREE FOOD AND BEVERAGES!

for more information email Kate Beck at kate.beck@cccsbuffalo.org

Understanding Your Credit Score- Lisa Frankenberger

New Credit – 10%

Whether you're applying for a mortgage or credit card, obtaining auto insurance, or even leasing an apartment or applying for a new job, chances are someone is checking your credit score. Your credit score is a three digit number lenders use to determine what kind of credit risk you are. Your score can determine not only if you are approved for a loan, but how much you will be approved for and what interest rate you will pay. Credit scores can range from 300 to 850. Low credit scores equal high credit risk. This means if you have a low credit score, you may not get approved for loans at all, or have to pay high interest rates and fees to obtain that credit.

High credit scores equal low credit risk. This higher your credit score is, the better the financial options that will be available to you.

Since your credit score is so vital to your financial well-being, it's important to know how it is determined and what you can do to improve it.

Payment history – 35%

Your payment history is the biggest factor in your credit score. Late payments will hurt your score more than anything else will. Public record and collection items are also looked at in this section. If you have any bankruptcies, judgments, tax liens, foreclosures, etc., they will be factored into your payment history.

Tips:

Pay your bills on time.

If you are delinquent on any accounts, get current and stay current.

If you are having difficulty paying your bills, contact your creditors or a reputable credit counseling agency, such as CCCS of Buffalo.

Outstanding debt – 30%

Outstanding debt not only factors in how much you owe on your accounts, but also what the balances are in relation to your credit limits. If your credit cards are "maxed out", or getting close to their credit limits, this is negatively impacting your credit score. It is best to keep balances on revolving credit as low as possible.

Tips:

Keep your balances low; try to never charge more than 50% of your credit limit. Pay off debt rather than moving around through balances transfers and refinances.

Length of Credit History – 15%

The longer you have had credit history, the better it is for your score. Remember, your credit score is looking at how likely you are to repay a debt. The longer your credit history, the more information there is to look at. Your credit score generally averages the age of all of your accounts, and also looks at the ages of your newest and oldest accounts.

Tips:

Do not close old accounts, especially if they are long standing. Always keep your oldest accounts on your credit report open.

If you are establishing credit, do not open too many new accounts at one time. This will lower the average age of all your accounts and may lower your credit score.

Too many applications for credit within a short time, or opening too many new accounts can reflect negatively on your score. If you are shopping for mortgage or auto loan rates however, the credit bureaus do recognize the fact that you're comparison shopping. It's best to not open too many unsecured revolving accounts at one time.

Tips:

If shopping for a mortgage or auto loan, try to shop within a short period of time (30 days or so), so the credit bureaus can see you are shopping around rates.

Be careful about opening accounts you don't need.

It's ok to check your own credit report and score; it does not negatively impact your score.

Types of Credit in Use

Your credit score looks at what kinds of credit you have. Do you have revolving credit like credit cards, and installment accounts like auto loans? Have you only had one of these? It's generally best to have a mix of different types of credit. How many open credit accounts you have is looked at also. If you have too many open accounts it may be considered a lot of potential debt. How many is too many is based on your overall credit picture, but the people with the best credit scores have an average of around six open accounts at any given time.

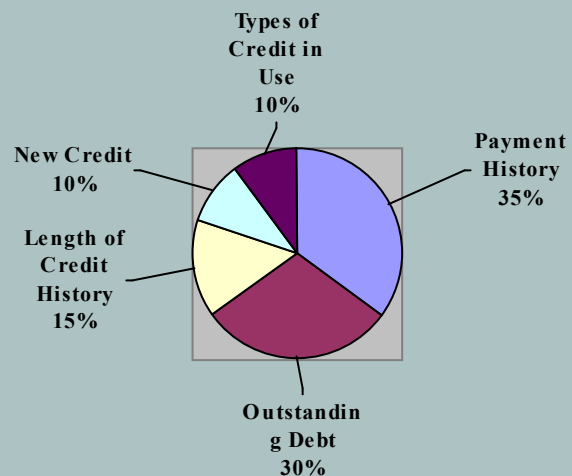
Tips:

Do not open credit accounts just to have a better credit mix.

It's ok to have credit cards, but they need to be managed responsibly.

Remember that closing a credit account doesn't make it go away, and may negatively impact your length of credit history.

What makes up my credit score?



CCCS of Buffalo offers **FREE** financial education workshops once a month at our agency office in West Seneca. You can see our calendar on our website at www.cccsbuffalo.org A Certified Credit Counselor will be discussing how to save money, use credit wisely, and many more topics!

**To register for a workshop or please call
(716) 712-2060. Or sign up online at www.cccsbuffalo.org**