Credit Score

Your Credit Score has tremendous impact on you as a consumer. A good credit score will help you achieve your financial goals and dreams. A poor credit score will likely have a negative impact on your ability to achieve those goals and dreams. At Redbrand Credit Union, we're here to help you understand what goes into a credit score. Furthermore, how to build a solid credit history. We have a number of loan products with great rates to help you on your journey!

Credit Score
What IS a Credit Score and How Does it Affect Me?

Your Credit Score is a quantification of your payment history with various merchants. If you handle your credit transactions well (i.e. pay creditors as agreed) you'll have a higher credit score than you would if you don't handle your credit transactions as agreed.

Merchants take a risk every time they enter into a transaction in which they extend credit. The risk is higher in the transactions in which they are less likely to be paid in full. Credit Scores help them determine their likelihood of getting paid when entering into an agreement.

For example, a consumer with a high credit score is more likely to pay a merchant in full. The merchant is still taking a risk by entering into a credit transaction with the customer with a higher credit score, but the risk is lower than if they were to enter into a credit transaction with the customer with the lower credit score.

The work that goes into building a good credit score is well worth it. The consequences of having a low credit score are painful. Someone with a low credit score is far more likely to be denied credit, they're more likely to pay a higher interest rate when they do get credit (this helps offset the creditor's risk), they're likely to have to put large deposits down prior to doing transactions with utility companies and they're even going to pay higher insurance rates.

Credit Score

The Breakdown

What makes up the score?

- 35% = based on payment history (i.e. on-time pays or delinquencies)
  - More weight on current pay history
- 30% = capacity (measure of credit limit available)
- 15% = length of credit
- 10% = accumulation of debt in the last 12-18 months
- 10% = mix of credit
  - Installment (raises) vs revolving (lowers)
  - # of finance company loans: the more, the lower the score

What actions will hurt the score?

- Missing payments (regardless of the $ amounts...It will take 24 months to restore credit with one late pay)
- Credit cards at capacity (i.e. maxing out credit cards)
- Closing credit cards out (this lowers available capacity)
- Shopping for credit excessively
- Opening up numerous trades in a short time period
- Having more revolving loans in relation to installment loans
- Borrowing from finance companies

What doesn't affect the score?

- Debt ratio
- Income
- Length of residence
- Length of employment

Approximate credit weight for each year

- 40% = current to 12 months
- 30% = 13-24 months
- 20% = 25-36 months
- 10% = 37+ months

How to improve the score?

- Pay down on credit cards
- Do not close credit cards because capacity will decrease
- Continue to make payments on time
- Slow down on opening new accounts
- Acquire a solid credit history with years of experience
- Moving revolving debt to installment debt
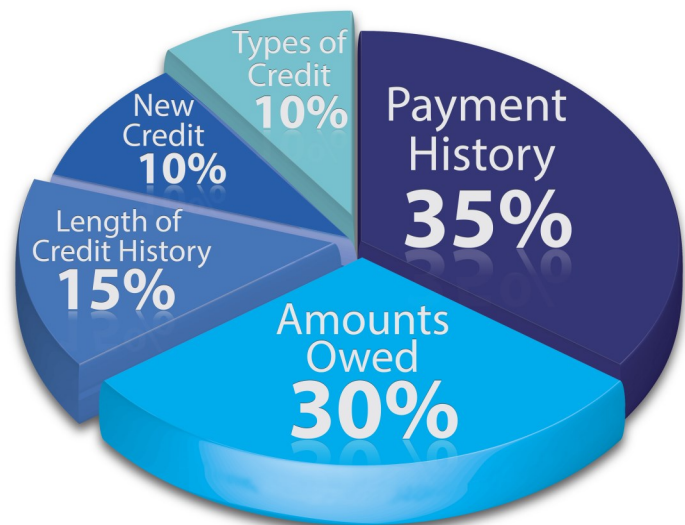
Credit Score

How do I build my Score?

1. Pay at least minimum due amounts on time, every time
2. Keep at least 80% of your credit limit available
3. Don't close credit cards (unless you're paying an annual fee!)
4. Slowly get new credit over time
5. Limit the number of credit cards, include installment debit and mortgage debt if possible.

How can Redbrand Credit Union help me build my score?

Products for those just getting started or rebuilding poor credit:

1. Credit Builder Loan*
2. Share Secured VISA*
3. Share Secured Loan*

Products for those with established credit:

1. Signature/Personal Loan*
2. VISA Credit Card*
3. New/Used Car Loan*
4. Home Equity Loan*

*Details available on https://www.redbrandcu.com/loans.html