Credit Success

Credit cards and other types of loans let you buy products or services and pay for them over time, rather than at the time of the purchase. While credit is almost always a necessity at some point in your life – when you purchase a home, for example – it's important to handle it responsibly. Here are some basics on what you need to know to ensure that your credit experience is a successful one.

What Is Credit?

Credit is the ability to borrow money. When you borrow money on credit, you are getting a loan. Credit can help people get through emergencies, such as car trouble or medical issues. Credit is neither inherently good nor bad, but it can be either, depending on how you use it.

Are You Credit Worthy?

In order to borrow money, you have to show that you're able to responsibly pay it back. When you apply for credit, particularly in the case of a consumer loan (a loan used to buy an item for personal use, such as a car or boat), a lender will evaluate whether you're a "good credit risk" and will be able to successfully pay back the loan.

More On The Reverse Side

THE FOUR C'S OF CREDIT

Here are the four things that lenders look at before they borrow you money:

Capacity – Your ability to presently (and in the future) make your payments. Lenders may ask if you have a job, how much money you make and what your monthly expenses are.

Collateral – Any assets or property that you can offer to a lender as the source of repayment if you can't repay the loan. Assets are things that you own that you can sell in exchange for money (e.g., a car).

Character – Your history of repaying your loans and paying your bills. Lenders may ask how many credit accounts you have, as well as whether you've filed for bankruptcy or had property repossessed.

Capital – The value of your assets and your net worth. Net worth is determined by taking the value of your assets and subtracting your debts. If the amount is positive, you have a positive net worth, which implies that you have the ability to manage your money.

FIRST UNITED Bank
Putting You First

WHAT'S YOUR CREDIT SCORE?

Lenders identify you as a good (or bad) credit risk by reviewing a credit report, which is a record of your financial behaviors, including how much debt you have, whether you make payments on time, etc. This credit report is used to calculate a credit score, which is typically between 300 and 850. The higher the score you get, the better your creditworthiness. Most credit scores fall between 600 and 750. A score above 700 usually suggests that you have good credit management. Things that can affect your credit score include:

- **Outstanding Debt** – The money you currently owe.
- **Credit History** – How long you have been using your credit accounts and how you have used them.
- **The Types Of Credit You're Using** – Do you owe money on credit cards, student loans, personal loans, etc.?
- **Payment History** – Whether you pay your bills on time or not.
- **Pursuit Of New Credit** – Whether you've opened any credit accounts recently.

HOW TO IMPROVE YOUR CREDIT SCORE

Pay Your Bills On Time.
Your ability to pay your bills on time accounts for 35 percent of your credit score, and late payments can have an extremely negative impact. If you struggle with remembering to make your payments, set yourself up for automatic payments.

Keep Your Balances Lower On Credit Cards.
Your outstanding debt (what you currently owe) is the second-biggest factor in determining your credit score. Plus, having more credit available can work in your favor. The key is to keep balances low and available credit high.

Open New Credit Accounts Only As Needed.
Don't open accounts if you don't need them. Having a mix of credit cards won't improve your score much or at all, and a history of inquiries to check your credit (which happens when you get a new credit card) can drag down your score.

Pay Off Debt Rather Than Moving It Around.
Don't use credit cards to pay off other credit cards, and don't close credit cards if they have a balance. Owing the same amount but having fewer credit cards open will lower your available credit and consequently may lower your credit score.