



Siletz Tribe Revolving Credit Program Loan Application Information Summary

Michael Phillips, STBC Senior Business Development Officer

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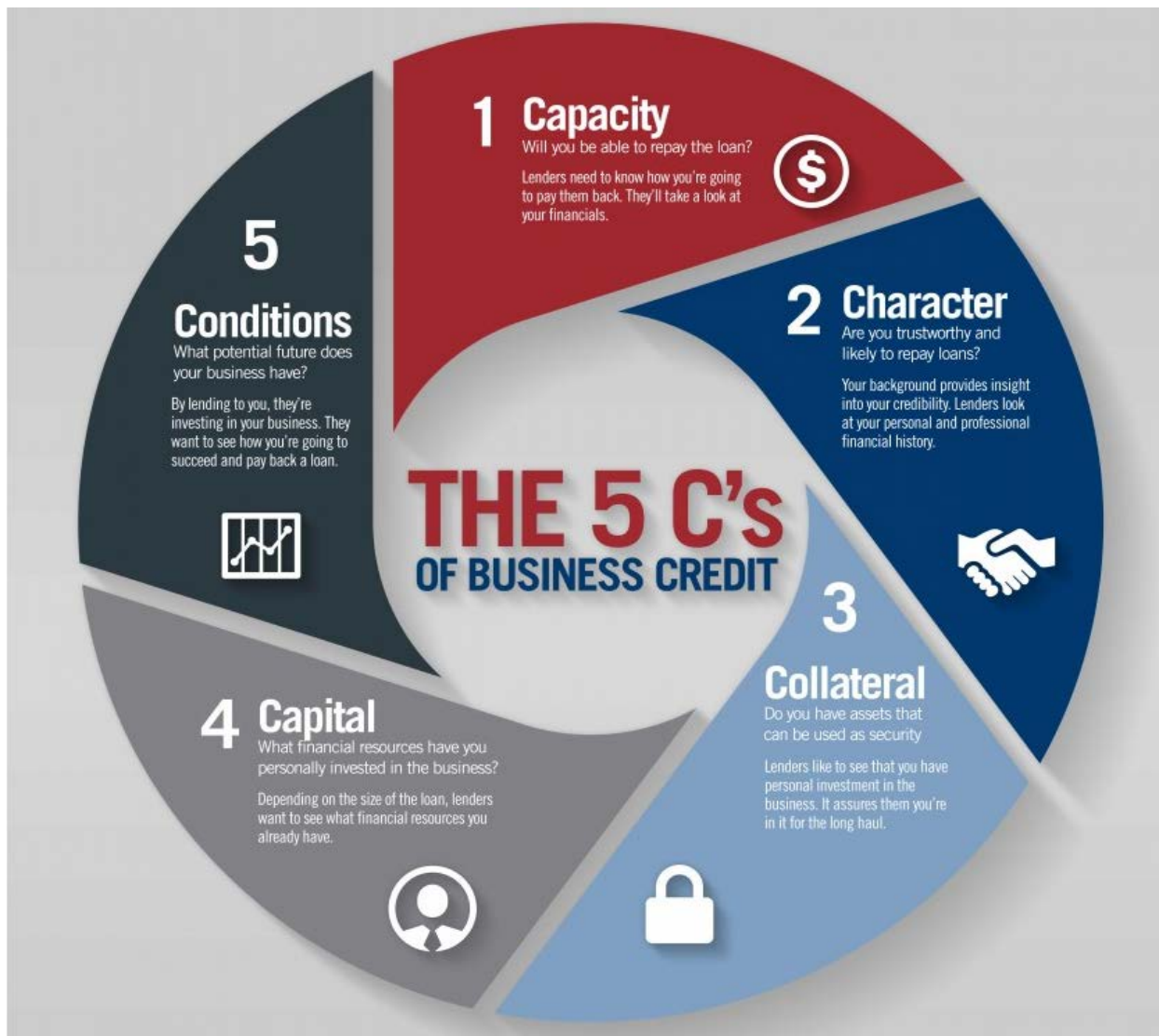
Summary

There are several criteria lending institutions including the Siletz Tribe Revolving Credit Program and its Board of Directors look at when reviewing applicant loan applications. Below is a summary of some of those criteria. Always remember, your interest rate, loan amount approved and other terms are derived from these criteria including Credit Score.

By understanding the impacts of a loan have on your credit score now and in the future, it can help you save a lot of money through lower interest and enable you to apply for a home or car purchase you may not otherwise be able to do with a lower credit score.

It is also important to remember the STRCP is a tool for all tribal members and by paying back your loan on-time it enables other tribal members the opportunity to take advantage of the program to build their credit and/or get a low interest rate loan.

Five C's of Credit

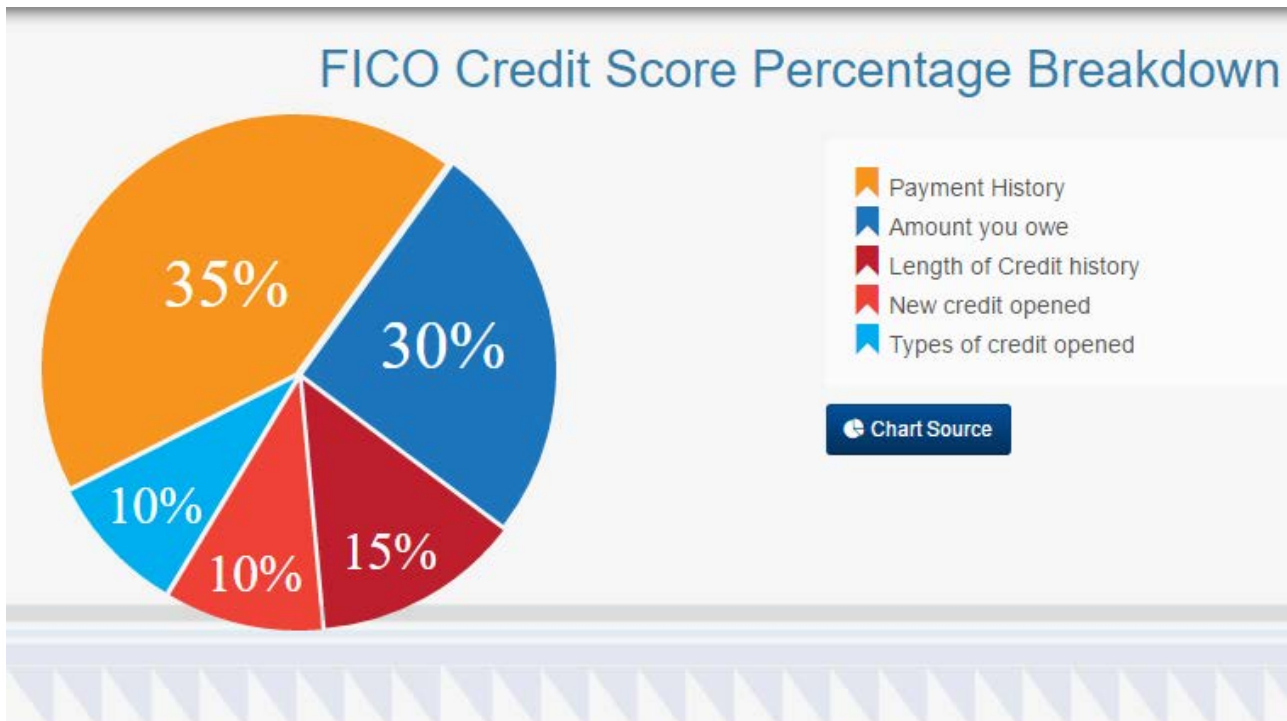


<https://sparkbusinessiq.com/article/understanding-5-cs-credit-business/>

Credit Score

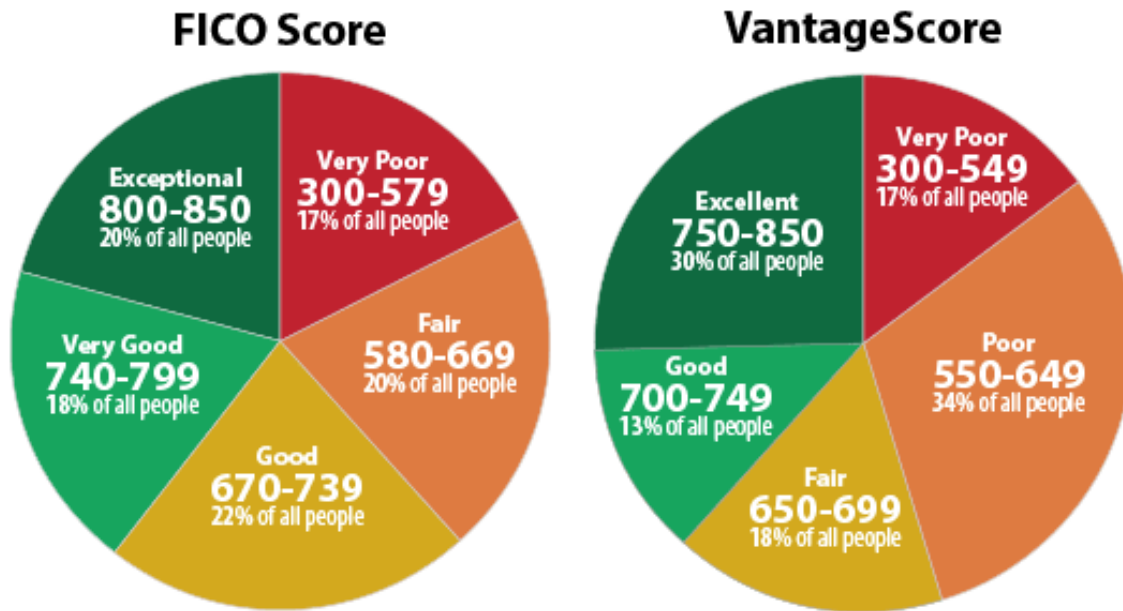
A credit score influences the credit that's available to you and the terms that lenders offer you. It's a vital part of your credit health.

The most widely used credit score is the FICO Score. FICO credit scores range from 300 to 850. By comparing this information to the patterns in hundreds of thousands of past credit reports, the FICO Score estimates your level of future credit risk. The higher the score, the lower the risk. But no score says whether a specific individual will be a "good" or "bad" customer.



What constitutes a good credit score?

The following table is a general guideline to the FICO and VantageScore credit score range and percentage of population in each range.



<http://www.experian.com/blogs/ask-experian/credit-education/score-basics/what-is-a-good-credit-score/>

Over 90% of lender including the STRCP utilizes the TransUnion FICO score for reviewing applications but some lenders do utilize a different scoring system called VantageScore.

Current STRCP Loan Tier Eligibility Table including FICO score requirement

	DIR	FICO	Loan Amount	APR
Premium Tier	40%	700+	Based on loan type	1% discount from base rate
Tier 1	47%	530-699	Based on loan type	Base rate
Tier 2	50%	430-529	Up to \$1,500	2% increase from base rate

As you can see, a higher credit score (along with meeting other criteria) will reduce your interest rate saving you money with the STRCP! Does an interest rate make that much of a difference? Let's look at an example below regarding the impact an interest rate can have on a car loan:

Impact of Credit Score & Interest Rate on Cost of Loan

The interest rate on your loan is critical in determining how much you owe and most creditors determine your interest rate by your credit score.

Take the example of two different applicants applying for the same car loan for \$20,000 from a traditional lending institution outside STRCP.

	Applicant 1	Applicant 2
Credit Score	770	530
Length of Loan	60 months	60 months
Loan Amount	\$20,000	\$20,000
Interest Rate	2.49%	18.99%
Interest Owed	\$1,291.54	\$11,122.06
Total Amount for Pay Off	\$21,291.54	\$31,122.06

Applicant 2 will pay **\$9,830.52** more for the same car due to their lower credit score & higher interest rate!

Be especially careful with car loans as dealers can have up to 33% interest or more. It may seem great you are getting the car you need/want but it may be costing you much more than you think!

I don't have a credit score!

There are several different approaches to establish a credit score through credit card utilization.

1. Open your first credit card account.
2. Get a secured credit card.
3. Open a joint account or become an authorized user.
4. Request a credit limit increase.

If you want to build your credit without a credit card:

1. Pay all student loans diligently.
2. Take out an auto installment loan.
3. Obtain a secured loan.
4. Non-profit lending circles.
5. Ask for credit where credit is due (ask if landlord will report your on-time rent payments for example) (How to Build Credit, 2017).

Credit Bureaus and Credit Report

Want to see what is on your credit report before applying for a loan with the STRCP? Under Federal Law everyone is entitled to receive one free credit report from Experian, Equifax and TransUnion every 12 months. You may receive a credit report from all three at one time or any single one of them at a time. In other words, you may receive a free report from all three bureaus together or get a report from Equifax and three months later request one from TransUnion. The free credit reports can be requested through the website linked below, by phone or by mail.

There is no reason to pay any fee for an annual copy of your credit report from each of three credit bureaus as federal law requires them to provide you with a free report once a year. Go to the website www.annualcreditreport.com for more information.

Why is that on my Credit Report?

If you notice errors or mistakes on your credit report TransUnion, Experian and Equifax all allow you to dispute them.

For example: visit <https://www.transunion.com/credit-disputes/dispute-your-credit> to get more information on how to dispute an item on your TransUnion report as well as perform other services. Each credit bureau offers multiple ways to dispute items found on your report. Many people have raised their credit scores significantly by fixing mistakes they found on their credit reports!

Scam Credit Reporting websites

Be aware that many websites offer to give you a "free" credit report/score by signing you up for a "free" trial offering a monthly based monitoring service that automatically begins charging your credit card after a short free trial period. Most often, when a website requires you to input credit card information to receive your "free" report/credit score you often are authorizing that company to deduct a fee from your account. You do not have to provide a credit card to get a

free credit report, though credit report(s) from www.annualcreditreport.com will not have a FICO or VantagScore on them.

How long does a negative item remain on my credit report?

It depends on the type of negative information. Here's the basic breakdown of how long different types of negative information will remain on your credit report:

- Late payments: 7 years.
- Bankruptcies: 7 years for completed Chapter 13 bankruptcies and 10 years for Chapter 7 bankruptcies.
- Foreclosures: 7 years.
- Collections: Generally, about 7 years, depending on the age of the debt being collected.
- Public Record: Generally, 7 years, although unpaid tax liens can remain indefinitely.

Keep in mind: For these negative items, the older they are the less impact they are going to have on your FICO score. For example, a collection that is 5 years old will hurt much less than a collection that is 5 months old ([myFico, 2014](#)).

Each state has different rules and statutes comprising their fair debt collection laws. Please visit http://www.doj.state.or.us/consumer/pages/debt_collection.aspx/ for Oregon's Debt Collection information.

Debt-to-Income Ratio

Lending institutions utilize your debt to income ratio (DIR) to determine if you can afford to pay the loan back. It is determined by your monthly income and your monthly expenses (bills). It helps to determine the **capacity** an applicant has to repay any borrowed funds. The STRCP has a free online DIR calculator located at <https://www.stbcorp.net/STRCP.html#profile> under Financial Calculators tab you can utilize.

Personal Budgeting

Often we underestimate the amount of money we spend on various bills, entertainment and other items. Having a monthly budget helps you determine where your money is going and what exactly you can afford including that new car or STRP loan payment. There are many available personal budget templates online but you can also find a free PDF/Microsoft Excel personal budget template on the STBC website at https://www.stbcorp.net/Training_And_Resources.html

Works Cited

myFico. (2014). *Experian*. Retrieved January 18, 2017 from <http://www.experian.com/credit-education/what-is-a-good-credit-score.html>

How to Build Credit. (2017). *Experian*. Retrieved January 18, 2017 from <http://www.experian.com/blogs/ask-experian/credit-education/life-events/building-credit/>