

Wealthy Building Weekly Newsletter Recap

Monday, April 25th, 2016



Welcome to the first edition of
Wealth Building Weekly
Newsletter & Recap.

* 5 Pillars of Credit

- [Paying bills on Time](#)
- [Credit Utilization](#)
- [Credit History](#)
- [Credit Diversity](#)
- [Credit Inquires](#)

* Financially Fit

- Credit Awareness
- Children's Savings
- Retirement Savings
- Emergency Savings
- Home Ownership

Wealth Building Weekly Newsletter will be a weekly recap of our Wealth Building seminars. I want to take a moment to thank the residents that took the time to come out to our first Wealth Building Weekly event on April 19th, which is a new recurring seminar, created by our Director Rahman Branch, that educates and empowers residents on being Financially Fit in the areas of Credit, Children's Savings Accounts, Emergency Savings, Retirement Savings, and Home Ownership. We had a successful meeting with about 10 people and several ANC representatives in attendance. Our first meeting was on understanding credit. We partnered with Angel Rich, the CEO of The Wealth Factory. We were able to answer and educate, in detail, our audience on the 5 pillars of credit, which are Paying bills on time, Credit Utilization, Credit History, Credit

Join us for Credit Training
OAAA And The Wealth Factory



OAAA and The Wealth Factory Presents:
Wealth Building Weekly

A new recurring seminar that educates and empowers residents on being Financially Fit in the areas of Credit, Children's Savings Accounts, Emergency Savings, Retirement Savings, and Home Ownership.

Join us for our first event:
When: Tuesday April 19th, 6:30pm-7:30pm
Where: 2235 Shannon Place SE, Suite 3040, Washington, DC 20020



There is Life After Bad Credit! The Five Pillars of Credit can help you turn your credit in to “APPROVALS!”

There is Life After Bad Credit

We also discussed Understanding Credit Scores, Why Understanding Credit is Needed, What Excellent Credit can do for you, Which Items to use Credit for, When Credit Understanding should Start, Best Practices to Improve Your Credit, and Addressed Credit Myths. Angel Rich, with the audience, was able to play “Credit Jeopardy” which is a game she and The Wealth Factory designed to help educated people about Credit in a fun and entertaining method. Several people tweeted the success of the event and the wonderful wealth of information shared. Several ANC members said they would share the information with their constituents.

Overall the meeting was a success and great start to helping move more people into the middle class and helping people become more Financially Fit. For those of you who were not able to attend our seminar. Here is a recap:

Is there life after bad credit? Yes! I currently work with Rahman Branch, the Director of the Office of African American Affairs. Before this I was a Bank Manager for 7 years and just recently graduated with my Masters in Business. There is life after bad credit. I can testify because I had perfect credit for more than 10 years. Being a Bank Manager for most of my career, I took pride in having excellent credit. The financial crisis of 2008, crushed my finances like it did to so many people. For the first time in life, I had to miss credit payments, which was hard being a Banker and wanting to keep excellent credit. I ended up having to file bankruptcy. My credit score dropped down to under 500.

BUT I am here to say there is life after bad credit! It took a little over two years to recover my credit but my score rebounded to over 700. How did I do it? By following these principles and best practices.

2235 Shannon Place SE, Washington, DC 20020, www.moaaa.dc.gov



5 Pillars of Credit

Paying your bills on time is the most important of all the five credit pillars. If you do not pay your bills on time, your credit will be low and probably below 600. All your bills should be paid on time, but the bills that must be paid on time every month in order to maintain good credit are the credit related bills.

For example, your credit cards, your car loan, student loans, mortgage, any credit related item. The reason these bills have to be paid on time is that every one of these bills is reported late to the credit bureaus after 30 days. Bills that are not usually reported late until after 60 days are cellphone bills, utility bills, HOA fees, non-credit related bills, meaning bills you have not borrowed or placed on credit. Again all bills should be paid on time, but if you have to pay a bill a few days late, pick a non-credit related bill. This way your credit is not negatively impacted.

Bills are usually subject to collections after 60 days. That is when you may start receiving collection calls and collection related mail. The longer bills go unpaid. The greater negative impact on your credit score. Collections and judgments from court have the greatest negative impact on your credit with Bankruptcy being the biggest negative impact on your credit.

Paying Bills On Time

(continued)

Credit Utilization

What credit utilization means is how well you are using the revolving credit that has been extended to you. You must keep your total revolving debt under 30% of the total amount of revolving credit extended to you.

Meaning that if you have a total of \$10,000 available in revolving credit, you can safely use up to \$3000 before your credit starts to be negatively impacted. Any amount over 30% of debt for your revolving credit is interpreted by the credit bureaus as negative and a credit risk. Therefore maxing out your credit cards is never a good idea.

Examples of revolving credit are credit cards, credit lines, lines of credit, Home equity lines, business lines of credit, etc. Revolving credit is credit that has been extended to you for a certain amount that can be continuously paid back and re-used for an indefinite or pre-determined time period.

For example, credit cards have an indefinite time to be used and paid back as long as you continue to meet the credit terms that were extended to you. Home equity lines of credit usually are extended for a predetermined time period to be used and paid back and then must be paid back in full or some convert to installment loans.

Installment loans are loans that are extend for a predetermine amount

Credit History

Credit History is simply based on the length of time that your credit items have been opened. The longer the credit items have been opened the better your credit score.

Therefore it is important not to close older credit cards, especially the ones with no annual fee. You can pay them down to zero and cut up the card if you no longer need them, but leave the cards open to ensure that your credit history is not negatively impacted. The ones with an annual fee, you may want close to avoid paying a fee for a card you no longer use.

This only applies to revolving debt. Installment loans and mortgages have a set closing date already and paying them off early does not impact your score negatively. In fact, paying them off early saves you interest and helps positively build your credit history.

5 Pillars of Credit: Credit Utilization And Credit History

5 Pillars of Credit:

Credit Diversity and

Credit Inquiries

Credit Diversity

Credit Diversity means how many types of different credit forms do you have. Creditors want to see that you can responsibly have multiple types of credit and still pay all of them on time.

For example, a credit card is revolving debt, a car loan is an installment loan, a mortgage is usually an installment loan, a student loan is an installment loan, and an equity line of credit is a revolving debt.

Credit Inquiries

Credit inquiries are how many times you have applied for credit in the last 12 months. The more inquiries you have the greater negative impact on your score.

Generally 6 or less in a year are ok and have minimal impact on your credit.

When you apply for mortgages and cars loans, you can have multiple applications within a 30 day period that should only count as 1 inquire because you are allowed to rate shop and accept the best offer.

This is only applicable to

mortgages and car loans. Personally you can check your credit reports and score with companies that offer those services an unlimited amount of times without any negative impact on your credit.

For example, going to www.creditkarma.com to access your credit report and credit score does not negatively affect your score because you have a right to know your score and have access to your credit reports. BUT if you then apply for a credit card or loan after Credit Karma recommends one to you, then that inquire does count against you.

Understanding Credit Scores

Credit Scores range from 300 to 850. The most famous and most used credit score is the FICO score. The FICO score was developed in the 1980s by the Fair Isaac Corporation. It was developed to give a universal and

standardization rating system to the credit bureaus. All three credit bureaus use a variation of the FICO algorithm to determine your credit score.

- A score of 600 and under is poor credit.
- A score of 601 to 649 is considered at risk.
- A score of 650 to 679 needs improvement.
- A score of 680 to 699 is fair.
- A score of 700 to 729 is considered a good score.
- 730 to 750 is excellent.
- 751 and above is outstanding. Everyone should strive to have a credit score of at least 680 or above.

Everyone should strive to have a Credit Score of at least 680 or more.





Check all three credit bureau reports for accuracy and place any discrepancies in dispute.

**By Bryan Epps
Mayor's Office on African
American Affairs**

Best Practices:

There is life after bad credit. Here are a few activities to focus on to improve your credit:

Get a copy of all three credit reports and review them for any mistakes, if any mistakes are found, placed a dispute with the credit bureau agency. The credit bureau agency is required investigate the dispute and contact the creditor for verification. If the creditor does not respond in 30 days or they agree with the error, the error has to be corrected on your report.

For any late payments, start paying them on time. The most If there are delinquencies that have not been paid for close to 7 years and there has been no contact with them by you, you can request to have those removed off of your credit record at the 7th year mark by contacting the credit bureau agencies. At 7 years, this should happen automatically but not always.

If credit utilization is the only credit issue you have, you may want to consider a consolidation loan with a low fixed interest rate to pay off your revolving debt. This will bring

your credit score up within about 30 days of paying off all your revolving debt.

If you do not have a lot of credit history, you may want to consider a secured credit card and or a secured loan. A secured credit card is a credit card that has a line of credit based off an amount of money in a savings account that is placed on hold as collateral that cannot be withdrawn until the credit card is closed. A secured loan works the same way except it is an installment loan granted to the borrower. The amount of the loan is based off of an amount placed on hold used as collateral which cannot be withdrawn until the loan is paid off.

You can use sites like www.creditkarma.com or www.myfico.com that have credit simulators that allow you to look at your credit report and imagine if you did certain actions and how it would affect your credit score. You can see how doing positive actions would improve your score and how negative actions would reduce your score your score. This can help you decide on whether or not to take certain actions that may affect your credit.

In Summary, following these principles will help you have excellent credit, which is what we all should strive to have.



Please Join us for our next seminar on May 5th. On Home Ownership.

Follow us on Twitter:

@OAAABRANCH

Currently our office only has a budget for only our Director. So come



Join us on May 4th our next seminar. Home Ownership

Volunteer with us:

<http://dcforms.dc.gov/webform/moaaa-volunteer-form>

Website:

www.moaaa.dc.gov



Office Hours
Monday to Friday, 9 am to 5 pm.

Connect With Us
2235 Shannon Place SE,
Suite 3040, Washington,
DC , 20020
Phone: (202) 545-3071



Bryan Epps
Mayor's Office on African
American Affairs



Rahman Branch
Executive Director of the
Office on African
American Affairs