

TCCU's

Score Enhancement & Auto Buying Seminar

Presented by:

Steve Stoppel, President/CEO

& Jose Sanchez, Lending Supervisor



[What You'll learn]

- Your credit score and your loan
- What your lender is thinking
- How to outsmart the dealers

[Your Credit Score]

- Credit Bureaus and Credit Models
 - Experian (formerly TRW) - FICO
 - Trans Union (popular in the East and Mid-West - Emperica
 - Equifax - Beacon

[Do I Have a Good Score?]

FICO SCORE BREAKDOWN

720+	Platinum borrower
680-719	A-borrower
640-679	B-borrower
600-639	C-borrower
550-599	D-borrower
350-549	E-borrower

[Examples]

Loan = \$15,000

Credit Score = 550-599 Tier D

<u>Loan Term</u>	<u>Rate</u>	<u>Payment</u>	<u>Total interest paid</u>
Up to 2 years	12.24%	\$708.03	\$1,992.63
Up to 3 years	13.24%	\$507.34	\$3,263.86
Up to 4 years	13.49%	\$406.23	\$4,498.70
Up to 5 years	13.74%	\$347.16	\$5,829.46

[More Examples]

Loan = \$15,000

Credit Score = 720+ Platinum

<u>Loan Term</u>	<u>Rate</u>	<u>Payment</u>	<u>Total interest paid</u>
Up to 2 years	4.74%	\$656.42	\$753.95
Up to 3 years	5.74%	\$454.64	\$1,366.95
Up to 4 years	5.99%	\$352.27	\$1,908.83
Up to 5 years	6.24%	\$291.73	\$2,503.79

[Credit Scores – What Really Matters?]

- FICO Scores

 - 35% = How You Pay

 - 30% = Capacity (Revolv-availability)

 - 15% = Length

 - 10% = Accumulation of Debt

 - 10% = Mix of Credit

[How You Pay – 35%]

- Those who pay on time have better scores than those who do not pay on time.
- More weight is give to your current payment history than your older history
 - Weightings for each year
 - 40% = current to 12 months
 - 30% = 13 – 24 months
 - 20% = 25 – 36 months
 - 10% = 37+ months

[How Do You Pay?]

PROFILE SUMMARY

PUBLIC RECORDS	0	PAST DUE	716
INST/OTH BAL	5,069	SCH/EST PAY	945
R ESTATE BAL	225,000	R ESTATE PAY	1,542
TOT REV BAL	27,069	TOT REV AVAIL	15%
INQUIRES	2	SATIS ACCTS	23
INQS/ 6 MO	5	NOW DEL/DRG	1
TRADELINE	26	WAS DEL/DRG	3
PAID ACCT	15	OLD TRADE	9-00

[How Do You Pay?]

Subscriber SUB # ACCOUNT#	OPEN BALDT LASTPDMO	AMT BAL PAY	ACCTCOND MOS REV	PYMT STATUS PYMT HISTORY BY MONTH
---------------------------------	---------------------------	-------------------	---------------------	---

Torrance CFCU	7-00	15,000	CLOSED	CURR WAS 30
3728538 REV	10-08	5,253	(18)	CCCC1CCCC
123456789	10-08	\$101		CCCCCCCCC

** Credit line closed – Consumer’s request **

HHLD BANK	1-06	40,761	OPEN	30 DAY
3587435 AUT 72	04-09	27,069	(18)	1CCCCCCCC
987654321	03-09	\$716		CCCCCCCCC

[Capacity is “King” – 30%]

- Capacity is the availability of revolving credit limits, expressed as a percentage.
 - FICO loves you to have revolving accounts, as long as you don't use them (or limit your reliance on them).

Capacity =

Total revolving limits – revolving balances

Total revolving limits

[Capacity is “King” – 30%]

Calculate your capacity.....

Total revolving limits = \$32,000

Total revolving debt = \$27,069

Limits “avail.” = $\$32,000 - \$27,069 = \$4,931$

Avail ÷ Total limit = $\$4,931 \div 32,000$

+15% CAPACITY

[Length of Credit – 15%]

- Credit Bureaus look at two facts when grading this factor
 1. Your oldest reported account (trade line)
 2. Avg. age of all other “open” accounts (trade lines)

[Accumulation of Debt – 10%]

- How fast are you accumulating debt?
Any debt, not just revolving debt.
 - Number of inquires
 - Opening dates of new credit

Bonus question: What time of the year do you think credit scores, overall, decline in America?

[Mix of Credit – 10%]

- Installment/Real Estate debt raises your score
- Revolving debt lowers your score
- Use of Finance Companies will lower your score

Strategy: Move your debt from revolving to installment.

[What Can You Control?]

- As of this moment you have control of...
 - 35% = How you pay
 - 30% = Capacity
 - 10% = Mix of Credit
- You don't have control of (for the moment)...
 - 15% = Length
 - 10% = Accumulation

[Score Enhancement Strategies]

- Pay your bills on time!
- Move revolving debt to installment debt
- Do NOT close revolving accounts
- Dispute incorrect items on your credit report
- Do NOT close your old trades
- Be careful not to open accounts in a short period of time

[Auto buyers Seminar]



[Car Buying Overview]

- Affordability?
- Buy vs. Lease
- Research
- Trade-in?
- Where to shop
- Additional products
- Summary
- Questions



[Affordability *things to consider. . .*]

- Know your budget
- Payment
- Get Pre-approved
- Get direct deposit
- Make a down payment



Buy vs. Lease

Leasing

- Dealers prefer leasing
- Smaller payment
- Leases are limited
- Double Fees
- Leases end

Buying New

- Dealers list same invoice and retail prices
- 3-year bumper to bumper warranty
- Difficult to negotiate

Buying Used

- ✓ Leveled value
- ✓ Better deals
- ✓ Easier to negotiate

[Research]

- Check websites
- Decide make, model, color and options
- Test drive makes and models
- Make copies of invoice and retail prices
- Check for rebates

Trade-in vs. sell



■ CUDL – Credit Union Direct Lending

- Retail value
- Wholesale value
- Trade-in value

Dealers generally buy cars at 60% trade-in value and resale at full retail price!

[Where to Shop]

Use a Broker (For a Fee)

- Autoland.com
- Carsdirect.com

Dealer Websites (For Free)

- Email the dealers to inquire about choices

CUDL AutoSmart (Free)

- Research choices
- Find a car

Call the dealers:

- Find dealers online or in yellow pages
- Call at least 5 dealers
- Ask for the fleet manager
- Give a complete description
- Ask "How much over or under invoice will you sell this vehicle?"

[Additional Products]

Dealers are on commission and make most of their income from ADD-ON products

Extended Warranty=

MBI – Mechanical Breakdown Insurance

- GAP – pays deficiency balance that insurance won't cover
- Negotiate products

[Summary]

Shop prepared

- ✓ Know what you can afford
- ✓ Research your choices first
- ✓ Decide on features
- ✓ Test drive your choices
- ✓ Don't deal with the dealer
- ✓ Don't get pressured
- ✓ Make a down payment
- ✓ Take advantage of rebates
- ✓ Set up automatic payment
- ✓ Pay on time

Questions?

Call Jose Sanchez at 310-618-9111 ext. 39



Thank You!



TORRANCE
COMMUNITY CREDIT UNION

2377 CRENSHAW BOULEVARD, SUITE 150

TORRANCE CA, 90501

310.618.9111