

Hosted by Tom Dickson  
www.FinancialExpertsNetwork.com

# Building Credit for Young Adults



**Presenter: Tiffany Cross | [CredEvolv](#)**

***EVP of National Sales***

619-838-3301 Cell

305-676-2221 CredEvolv Direct

[tiffany@credevolv.com](mailto:tiffany@credevolv.com)

# CREDIT DEFINED



The term “Credit” is defined as:

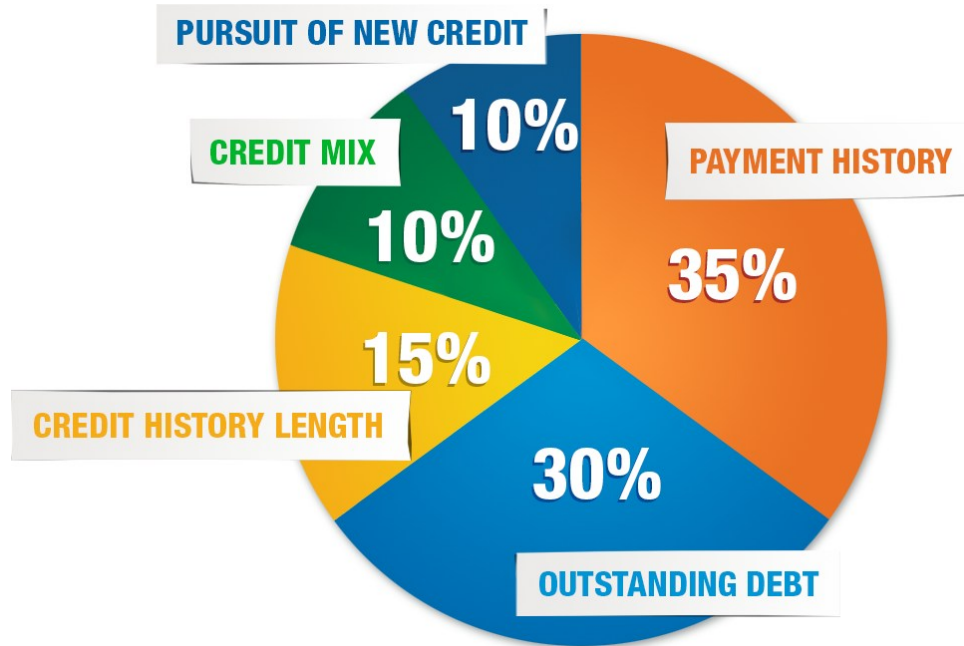
*The granting of money or something of value in exchange for a promise of future payment.*

Today’s focus is on who gets credit and why.

*Why do people get credit?*

*What is the difference between “Debt Settlement” and “Credit Repair”?*

# HOW CREDIT SCORES ARE DETERMINED



*What are the 5 factors that make up your credit score?*

# CREDIT BASICS



Questions:

*Who are the main 3 Credit Bureaus?*

*What do the Credit Bureaus have in common with Fair Isaac Corporation?*

# WHO DETERMINES THE FACTORS OF A FICO SCORE?



# UTILIZATION OF CREDIT



*How does Credit Card utilization work?*

*What are “Best Practices” regarding the use of credit?*

# INSTALLMENT DEBT



*What is Installment Debt?*

*What role does it play in the FICO score algorithm?*

# CREDIT MYTHS

Common Credit Misconceptions:

**IdentityIQ.com**

*High Income Does NOT Equal High Credit*

*There's More to Credit Than Just Paying Bills on Time*

*Approximately 1 Out of Every 5 People Has Mistakes on  
Their Credit Report*



# CREDIT REPORT VS RENTAL REPORT



*What shows on a CREDIT report vs a RENTAL report?*

Income is not reflected on a credit report.

Rental history and debit card usage/utilities are not on credit reports...

UNTIL NOW!

# Become an Authorized User

If one or both parents have good credit history, pay bills on a timely basis and keep their balances low.

Young adult may have their own card for purchase

Make sure the card issuer reports authorized-user activity to the credit bureaus, because not all do.

# LACK OF CREDIT



*What happens when you are “Credit Avoidant” and have no established credit?*

# WHY ARE THERE SO MANY VARYING SCORES?



*Where can I go to obtain ACCURATE FICO scores and reports?*

[www.MYFICO.com](http://www.MYFICO.com)

**UNDERSTANDING THE VALUE OF VANTAGE SCORE VS FICO**

# THE POWER OF ANNUAL REVIEWS

*Higher credit scores lead to lower payments and more money in your clients' pockets!*

**IdentityIQ.com**

*You can help them achieve:*

*Lower Mortgage Rates*

*Lower Car Payments*

*Lower Credit Card Rates*

**MORE MONEY TO INVEST**

# PUTTING PEN TO PAPER

## *Hypothetical Example:*

*\$600,000 mortgage at 3.875% = \$2,821/mo*

*\$600,000 mortgage at 4.5% = \$3,040/mo*

*\$60,000 car at 2.5% = \$1,064/mo*

*\$60,000 car at \$12.99% = \$1,364/mo*

*Top tier credit scores save over \$500/mo  
on home/car payments.*

An Advisor with 200 clients who can improve their credit scores from “poor” or “average” to “top tier” can help each client save over \$500/mo.

This translates into a \$1,200,000 increase in the net worth of the Advisor’s book of business.

Working with next-gen clients over a 30-year period, this becomes a \$57,000,000 potential increase in investable assets within the Advisor’s book of business.

# TIFF'S CREDIT TIPS...



# CHECKING YOUR CREDIT



*How often should people check their credit?*

Every Single Month!



# **ANNUAL REVIEW**

**Do you ask clients for their credit score?**

**Are you giving advice on how to improve it?**

**Add the example of impact of score on mortgage rate.**

# **TACTICAL CREDIT STRATEGIES FOR MORTGAGE READINESS**

**EXPERT INSIGHTS ON CREDIT SCORE OPTIMIZATION FOR HOMEBUYERS**

# HOW LOAN PRE-APPROVALS AFFECT CREDIT

- SOFT PULLS VS. HARD INQUIRIES: PREQUALIFICATION OFTEN USES A SOFT INQUIRY, WHILE PREAPPROVAL INVOLVES A HARD INQUIRY.
- MULTIPLE MORTGAGE INQUIRIES WITHIN A 45 DAY WINDOW ARE TREATED AS A SINGLE INQUIRY FOR SCORING PURPOSES.
- TOO MANY INQUIRIES FROM OTHER TYPES OF LOANS (E.G., AUTO, PERSONAL) CAN NEGATIVELY IMPACT SCORES.

# USING CREDIT BOOSTING STRATEGIES

- EXPERIAN BOOST: ADDS UTILITY AND TELECOM BILLS TO CREDIT REPORTS, HELPING SOME BORROWERS.
- AUTHORIZED USER ACCOUNTS: JOINING A TRUSTED INDIVIDUAL'S CREDIT CARD CAN IMPROVE SCORES (IF USED RESPONSIBLY).
- PAYING DOWN BALANCES: KEEPING CREDIT UTILIZATION UNDER 10% SIGNIFICANTLY BOOSTS SCORES.
- RAPID RESCORING: LENDERS CAN REQUEST UPDATES FOR RECENT PAYMENTS, HELPING QUALIFY FOR BETTER RATES.

# CREDIT SCORE CONSIDERATIONS FOR JUMBO LOANS & OTHER FINANCING

Score	Higher Score Requirements: Jumbo loans typically require 700+ credit scores.
Credit	Debt to Income (DTI) Matters: Strong credit is needed if DTI is high.
Compensating	Compensating Factors: Large cash reserves, high down payments, or strong credit depth can offset a lower score.

# FIRST-TIME BUYER CREDIT SCORE CHALLENGES & SOLUTIONS

## No Credit History:

- Use credit builder loans, corporate tradelines or secured credit cards.
- Thin Credit Files: Becoming an authorized user can help establish history.

## Little Credit history

- High Credit Utilization: Lower balances before applying.
- Errors on Credit Report: Dispute inaccuracies at least 36 months before applying.

# **CASE STUDY: RECOVERING FROM CREDIT MISTAKES BEFORE APPLYING FOR A MORTGAGE**

## **SCENARIO:**

BORROWER HAD A LATE PAYMENT 9 MONTHS BEFORE APPLYING FOR A MORTGAGE.

## **SOLUTION:**

- SENT A GOODWILL LETTER TO THE CREDITOR REQUESTING REMOVAL.
- FOCUSED ON PAYING DOWN BALANCES TO IMPROVE CREDIT UTILIZATION.
- USED RAPID RESCORING TO UPDATE POSITIVE CHANGES BEFORE FINAL MORTGAGE APPLICATION.
- RESULT: CREDIT SCORE INCREASED BY 40 POINTS, SECURING A LOWER INTEREST RATE.



# HOW SMALL CREDIT SCORE INCREASES LEAD TO BIG MORTGAGE SAVINGS



Example: A borrower improves their score from 680 to 720.



Effect: Interest rate drops by 0.50%, reducing monthly payments by hundreds of dollars.

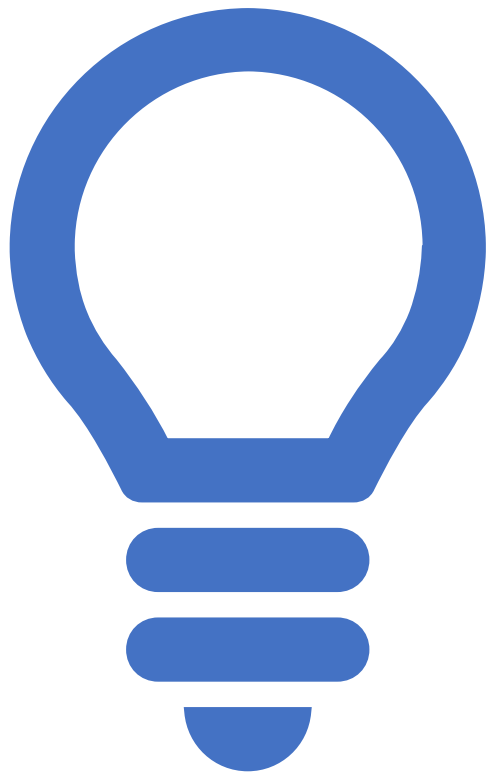


Over a 30 year loan, small improvements can save \$10,000+ in interest.



# FINAL TAKEAWAYS & NEXT STEPS

- START CREDIT IMPROVEMENTS EARLY: 6 TO 12 MONTHS BEFORE APPLYING.
- MONITOR CREDIT AND ADDRESS ERRORS PROACTIVELY.
- LEVERAGE CREDIT BOOSTING TOOLS TO QUALIFY FOR BETTER RATES.
- ADVISORS SHOULD EDUCATE CLIENTS ON LONG TERM CREDIT HEALTH STRATEGIES.



# **Tips for Young Clients**

## Addendum

# Why You Should Start Building Credit Early



Applying for Credit (Buy Computer, Phone, TV)



Renting an Apartment



Job Application



Obtaining Insurance



Refinancing STUDENT LOANS

# Tiffany's Tips for Young Adults

What are the varying scores provided and when are they applicable (example Credit Karma)

What does a site like Credit Karma do?

- Sells their info
- Is the credit score legit?

# Tiffany's Tips for Young Adults

Pros and Cons of Rent  
Reporting

Pros and Cons of  
Secured Cards (when  
NOT to pay to zero)

Pros and Cons of  
Experian Boost

# Tiffany's Tips for Young Adults

When to set up auto pay for bills and what to watch out for

FICO score similarities to a bell curve with grades in school.

In school, often there is a "second chance" provided by teacher with an excuse provided. Consider FICO the "non-negotiable" teacher.

# Tiffany's Tips for Young Adults

Social Media "pay later options" how they impact and when to avoid

Secured Cards and Resources relating to Credit Building Opportunities through savings accounts, paying student loans

Common Mistakes: Missing Payments, Closing Accounts and Utilizations Rates