

CAAB's newsletter is designed to ensure that our IDA/MDA Savers are fully informed about relevant money management topics, effective savings strategies, financial education opportunities in the DC area and upcoming CAAB events. Every month, we will feature a different article focusing on strategies or products that can help you plan for and achieve your savings goals.



Shining a Light on Credit Scores

by Colleen Dailey

Like your shadow, your credit score – also known as your FICO score – goes everywhere you go. Landlords use it to judge whether or not you'll be a good tenant. Banks use it to approve or deny loan and credit card applications. Insurance companies use it to determine your insurance rates. More and more potential employers now look at it to determine whether or not you'll be a good and reliable employee.

Given how important a credit score is to our financial lives, one would think we'd know more about this mystery number that ranges between 300 and 850. Yet, a recent survey by the Opinion Research Corporation found that nearly half of all Americans have very little idea what their credit score measures or how it's used. Here's some valuable information that can help you save thousands, maybe even tens or hundreds of thousands, of dollars over your lifetime:

How can you get your credit score?

You can get your credit score by ordering your credit report directly from any one of the 3 major credit bureaus: Equifax (1-800-865-1111), Experian (1-888-397-3742), or TransUnion (1-800-888-4213). The cheapest

option for getting all 3 scores is to order them online at www.annualcreditreport.com or by calling 1-877-322-8228.

Note: You are entitled to one free annual copy of each credit report, *but the free copy does not include your credit score.* For a small additional fee (between \$4.95 and \$6.95), you can add your score to each report.

It's a good idea to review your credit report from each bureau at least once a year, especially given the rise in identity theft. If you find errors on your credit report, the report will include clear instructions on how to correct information or report identity theft.

What is a good credit score?

Many lenders use 720 or 700 as the cutoff for giving borrowers their best available interest rate. About 60% of the US population has a credit score of 700 or above. Some lenders use 620 as the cutoff point for lending at any rate so those with scores below 620 will be denied loans. About 15% of the U.S. population has a score between 300 and 620. Companies that deal with borrowers in this low range are known as "subprime lenders," because they take on higher risk

and charge higher interest rates.

Here's an example of what a good credit score can save you: A person with a score of 760 or better will pay \$260 less per month for a \$216,000 30-year, fixed-rate mortgage than a person with a score below 620. *That's a savings of more than \$3,000 a year or \$93,600 over 30 years.* (Source: www.myfico.com)

What goes into a credit score?

According to Fair Isaacs Corp., the company that developed the FICO scores used by Experian, Equifax and TransUnion, there are 5 main ingredients in your score:

- 35% - payment history
- 30% - amounts you owe to creditors
- 15% - length of credit history
- 10% - types of credit you use
- 10% - new credit

Contrary to what many people think, your race, age, gender, and education level are not factored into a credit score.

How can you improve your credit score?

Basically by improving any of the factors listed above, starting with

CONGRATULATIONS!

The following savers have made asset purchases in the month of October. Will you be next?

Earlean Davis
Education

Ana Garcia
Homeownership

Jamel Harris
Education

Karen Hicklin
Education

Jamal Lee
Education

Crystal Reese
Education

Cynthia Sanchez
Education

Robert Sullivan
Education

James Sullivan
Education

Ada Symister
Homeownership

Francisco Velazquez
Education

Jian Zheng
Education

those at the top which carry more weight. For example, paying your bills on time and paying down old debts are two of the most common ways to improve a credit score. Paying the full balance on your credit cards each month is another way. If you can't do that right now, then you're buying too much on credit and need to reduce your spending. ♦



PROGRAM NEWS



— One-on-One Credit Counseling Sessions Available —

As outlined in the article above, your credit score is important, so why wait to speak to someone about it? CAAB currently offers individual credit consultations to clients in our matched savings programs. These sessions are confidential and you will receive a free copy of your credit report as well as a comprehensive credit, debt and budget analysis.

Please contact Pat Philippe at pphilippe@caab.org or call him at 202-419-1440 to set up an appointment.

Together, you and Pat will map out strategies to decrease debt, increase savings and get on the road to long term wealth. Remember, it's not how much money you make, but how well you manage what you have!

UPCOMING EVENTS

FREE WILLS CLINIC

sponsored by Housing Counseling Services (HCS) and The Neighborhood Legal Services Program (NLSP)

You MUST have an appointment to attend the clinic. NO WALK-INS will be accepted!

For screening and appointment, you must call NLSP at (202) 682-2700 ext. 124 and speak with Leah Loloyan.

DATES: Saturday, December 9, 2006 and Saturday, January 27, 2007
TIME: 10:00 am to 2:00 pm
PLACE: HCS Training Center, 2410 17th Street, NW, Suite 100 (Adams Alley), Washington, DC 20009

- Clients will meet with an attorney who will give legal advice about the wills & probate process in DC.
- An attorney will assess the client's situation and determine if a will is applicable.
- If a will is appropriate, an attorney will draft a will for the client to review at a later date.
- Once the will is complete, the client will meet with an NLSP attorney for the reading and execution of the will.

Clinic attendee's income must not exceed the maximum guidelines below, but there are exceptions to this rule so call NLSP for details:

Family Size	Max. Income	Family Size	Max. Income
1	\$19,600	6	\$53,600
2	\$26,400	7	\$60,400
3	\$33,200	8	\$67,200
4	\$40,000	9	\$74,000
5	\$46,800	10	\$80,800

- Eligible applicants may not possess assets in excess of \$25,000 excluding primary residence or vehicle necessary for transportation.
- Income eligible families must be a citizen or legal resident of the United States or be able to provide documentation of approved legal status.

Capital Area Asset Building Corporation
 1801 K Street NW, Suite M100
 Washington, DC 20006
 Phone: 202-419-1440
 Fax: 202-419-1447
 Website: www.caab.org

- HOMOWNERSHIP -

Workshops on Home Buying
Every Wednesday at 10:00 AM and Friday at 11:30 AM

Home Resource Center
 815 Florida Avenue NW
 -For more info, call (202) 777-1600.

Pre-Purchase Orientation

**Every Thursday
 11:00 AM - 1:00 PM**

Housing Counseling Services
 Training Center
 2410 17th Street, NW Suite 100
 -For more info, call Elsa Zambrano at (202) 667-7006 or e-mail elsazambrano@housingetc.org.

- JOB TRAINING -

Training and job placement services

Ongoing

Goodwill of Greater Washington
 -To participate in training and job placement services program, contact Ms. Gladney at (202) 715-2627 to schedule a date to complete an application for services and orientation/interview.

- SMALL BUSINESS -

Learn How You Can Write Your Own Business Plan

On business days except for holidays

9:00 AM - 4:00 PM

Department of Employment Svces
 64 New York Avenue, NE
 -Register by calling Ralphine P. Beaton at (202) 671-2144 or e-mailing Ralphine.Beaton@dc.gov

Starting a Home Based Business

Tuesday November 28, 2006

2:30 PM - 3:30 PM

e-BIC Video Conference Room in the MLK Jr. Memorial Library
 901 G Street NW

-For more info, call Katina Bolden at (202) 727-2241

Starting a Business in DC

Tuesday December 5, 2006

10:00 AM - 1:00 PM

e-BIC Business Center in the MLK Jr. Memorial Library
 901 G Street NW

-For more info, call Katina Bolden at (202) 727-2241 or e-mail katina.bolden@dc.gov

CAAB CORNER

- **SHARE YOUR STORY!** Congratulations to the *Saver of the Month* for November 2006! Joey Betts is an IDA saver from the Urban Alliance Foundation who is using his savings to start his business. Read his story and get his advice on how to stay focused on your savings goal at www.caab.org. We know that all of our savers have great stories to share and we want to hear from you now! Learn more about the program and nominate yourself or a friend to be the next *Saver of the Month* at <http://caab.org/programs/saver-stories/saver-launch.php>. You can also sign up by calling Donna V.S. Ortega at 202-419-1443.
- Confused about what you can put your IDA funds toward? If your IDA account is for a home purchase, you can use your money for down payment and closing costs for qualified first-time home purchases. Your home ownership counselor can help you determine the best use of your IDA funds, but if you have questions that they can't answer, please give us a call.