

How – and why – you need to understand your credit score

by Jason Alderman
(www.practicalmoneyskills.com)

If you've tried to take out a loan or open a new credit account recently, you know that the days of easy credit are long gone. Lenders, insurers, landlords and even some employers are more diligently scrutinizing your credit history to see if you're a worthwhile risk.

A low credit score can cost a small fortune over the course of a lifetime. What often happens to people with poor, or even fair, credit scores is:

- It's harder to qualify for a mortgage, you'll need a bigger down payment and you'll pay a higher interest rate, which adds up over time. Someone with poor credit might pay an extra \$100,000 in interest over the life of a typical 30-year, \$300,000 mortgage.

- Similarly, someone with a poor score might pay an additional \$10,500 in interest on a 60-month, \$25,000 auto loan.

- Credit card interest rates can be 10 or more percentage points higher and credit limits are typically much smaller.

- Although credit scores aren't factored into federal student loan interest rates, they are with private student loans, often resulting in rates several percentage points higher.

Here are a few key concepts:

Credit bureaus. Each major credit bureau – Equifax (www.equifax.com), Experian (www.experian.com) and TransUnion (www.transunion.com) – compiles information from lenders who've extended you credit, tracking the number and types of credit accounts you use, how long they've been open and whether you've paid your bills on time.

Credit report. Upon request from you or a potential lender (and, increasingly, employers and landlords), bureaus assemble a report showing your credit history to date. Among other things, it contains a summary of open and closed ac-

counts, outstanding balances, recent inquiries and negative items (late/missed payments, bankruptcy, tax liens, etc.)

Credit scores. When you apply for new credit, the lender will ask a credit bureau to compile a three-digit credit score, based on information in your credit report – essentially a snapshot of your credit profile at that moment. The lender uses your credit score to supplement its own selection criteria to determine whether you are a worthy credit risk.

Five factors are used to determine your credit score: payment history (usually around 35 percent of your score), amount owed (30 percent), length of credit history (15 percent), newly opened credit accounts (10 percent), and types of credit used (10 percent). These five categories may be weighted differently depending on your individual circumstances.

You can order one free credit report a year from each bureau. (Order through the government-authorized www.annualcreditreport.com; otherwise you'll pay a small fee.) This helps you identify bad credit behavior and spot fraudulent activity or errors before they damage your credit.

A good strategy is to rotate ordering a free report from one bureau every four months; that way, you'll keep year-round tabs on what's being reported about you. You can also order individual credit scores for around \$15.

Many good resources share what you can do to protect – or repair – your credit scores, including the Credit Education center at www.myfico.com, the Federal Trade Commission's Credit & Loans page under "Consumer Protection" at www.ftc.gov, and What's My Score, a financial literacy program run by Visa Inc., which also features a free FICO Score Estimator that can help you approximate your score (www.whatsmyscore.org).

County woman honored by Oregon Farm Bureau

At the Oregon Farm Bureau's 78th State Convention, OFB President Barry Bushue presented Marie Gadotti, vice president of Columbia County Farm Bureau, with the Service to Agriculture award for her tireless efforts in addressing the problem of migratory geese damage on farmers' fields.

"Marie has spent years tackling the goose issue, a challenging problem that affects growers all over the state," said Bushue. "Her work has involved perseverance, long odds, and lots of outreach and

collaboration across numerous levels of government."

Besides giving hours of testimony to the state legislature, interviews to the media, and letters to the editor, Gadotti serves as chair of OFB Goose Depredation Committee and also on the state-appointed Oregon Goose Control Task Force, which submitted 14 recommendations to the Oregon Department of Fish and Wildlife last fall on how to address the issue.

"The Distinguished Service Award was established to recognize outstanding efforts in

the interest of family farmers and ranchers, and few are more deserving of this honor than Marie," said Bushue. "She has been a consistent, dependable leader dedicated to the advancement of Oregon agriculture."

The state's largest general farm organization, Oregon Farm Bureau (OFB) is a voluntary, grassroots, nonpartisan, nonprofit organization representing the interests of the state's farmers and ranchers in the public and policymaking arenas.

Bill submitted to create microtax credit for rural businesses

by John Crabtree, Center for Rural Affairs

In order for Oregon's rural cities and small towns to contribute fully to the nation's economic recovery, we must enable small, mainstreet businesses to build a better future for themselves, their community, state and nation.

Representative Wally Hergert (R-CA) and Representative Ron Kind (D-WI) have introduced legislation to do just that. Their Rural Microbusiness Investment Credit Act (HR 5990) is the first federal tax credit designed to meet the needs of small business in rural areas. It

would provide a 35% tax credit – up to \$10,000 – to start or expand owner-operated businesses with five or fewer employees.

In rural America, creating your own job is a way of life. During recession, the reluctance of large businesses to add workers makes small businesses and self-employment even more important. During the 2000-2003 recession, microenterprise employment in Oregon grew by five percent, while larger firms were still shedding jobs. Microenterprise led the economy out of recession. It can happen again, but

entrepreneurs need and deserve the support of federal policy as much as larger businesses.

The rural micro tax credit is tailor made to encourage microenterprise investment during recession. Qualifying businesses could receive refunds on prior year returns if they are not making enough in the current year to owe taxes, which is critical during tough times or during startup, when most are lucky to break even. A refund of prior years' taxes is an investment incentive that works in good years and bad, for new or established businesses.

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