



**Thinkwise**

CREDIT UNION

**WINTER 2023**

In my last CEO message, I talked about viewing your credit report to ensure it's accurate. I also wrote that I would do a deep dive into credit scores. So here it is, everything you wanted to know about credit scores and, hopefully, things you didn't know.

The concept of credit reporting started in 1841 with the Mercantile Agency, one of the first commercial credit reporting agencies. Traction started to build later that century as entities such as department stores and drug pharmacies began selling their wares through credit. Unfortunately, most of these bureaus were local, so if you moved, your credit history would not move with you, and you had to start over. In the 1960s, there were over 2,000 credit bureaus in the US. Over the next few years, bureaus would acquire others and expand their databases. Eventually, those 2,000 kept acquiring each other until only three were left; Equifax, TransUnion, & Experian.

It wasn't until a company named FICO came up with a secret sauce formula to give each consumer a credit score to make it easy to evaluate consumers. These bureaus would only hold information on you (such as age, occupation, and repayment history) but did not have any way to score your file. In 1989, FICO worked with the three bureaus to create a scoring model that could be used to give each consumer their own FICO score. That's right, mainstream FICO scores started to be used the same year that Michal Keaton starred in "Batman" and "Look Away" by Chicago topped the charts.

Now, here's where it gets fun. Not only is the FICO formula similar to KFC's 11 herbs and spices (as it's not publicly known), but there are also 16 different formula models! Although only six of them are mainly used. Every institution that uses a FICO score may use a different model. The most commonly used are model 8 (introduced in 2009) and model 9 (introduced in 2014). Each of the three bureaus has different information on you, which means your score will vary from one bureau to another. Add to that the different models used, and your score may differ vastly between all three.

Want even more fun? In 2006, the three major bureaus were tired of being beholden to FICO and decided to create their own analytical model, the VantageScore. This model is maintained by VantageScore LLC, an independent company that Equifax, TransUnion, and Experian jointly own. Now, the VantageScore only has four models or versions, as they call them. Versions 3 and 4 are the most widely used.

FICO and Vantage use different formulas to determine your score. While neither has made the formula public, they have released the factors that go into their scoring:

### FICO

Score range: 300 to 850

- 1. Payment history (35%):** Whether or not you've paid past credit accounts on time
- 2. Amounts owed (30%):** The total amount of credit and loans you're currently using compared to your total credit limit — this is also known as your utilization rate
- 3. Length of credit history (15%):** The length of time you've had credit
- 4. New credit (10%):** How often you apply for and open new accounts
- 5. Credit mix (10%):** The variety of credit products you have, including credit cards, installment loans, finance company accounts, and mortgage loans

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### Vantage (version 4)

Score range: 300 to 850

1. **Payment history (41%):** Whether or not you've paid past credit accounts on time
2. **Depth of Credit (20%):** The age of and types of credit accounts you use
3. **Credit Utilization (20%):** How much credit you use and what you have access to
4. **Recent credit (11%):** The number of accounts recently opened and number of hard inquiries
5. **Balances (6%):** Total balances remaining on accounts
6. **Available credit (2%):** How much credit do you have available on a revolving account (credit card, line of credit, home equity line of credit, etc.)

As you can see, there are similar factors, but they are weighed differently. This difference in the calculation is why you may have an app that says your credit score is one thing, and when you go get a loan, your score shows differently. While most of the scores should not wildly change, a few point difference could affect what type of interest rate you get.

Don't fret! While it may seem overwhelming, the takeaway I want to leave you with is simple. The knowledge that there are different scoring methods in the world. When applying for a loan or viewing your credit score on an app, find out if a FICO or VantageScore is used. Armed with this knowledge, you can ask educated questions and ensure you get the best deal that benefits you. And just in case you are wondering, we use the VantageScore Version 4 here at Thinkwise. I hope this helps!

Sincerely,



Heri "Eddie" Garcia  
President/CEO



# ♥ IN THE COMMUNITY

Our third quarter of the year was filled with networking and community connections. We strive to be present in our cities as much as possible, and we're proud of being known for giving back.

Here are some of the things we did in the community this quarter:



We were privileged to attend a conference held by the San Bernardino County Schools on student wellness. A huge thank you to them for inviting us to be a vendor!



Partnered with VIBE Fitness in Rialto to collect school supplies for the Rialto Unified School District.



Attended an event with CEOs from Altura, Arrowhead, Inland Valley, and Chaffey FCU.



Participated in San Bernardino City Unified School District's annual 'Back to School' event.

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# ♥ IN THE COMMUNITY



In August, we participated in National Night Out in the city of Rialto. Thanks for having us out!



We were able to work closely with Cesar Chavez Middle School in San Bernardino, both providing lunch for their staff and donating popsicles for their students!



Golfed at the PAC tournament with other credit unions!



Continued and strengthened our partnership with the San Bernardino County Sheriff's Department as an Information Exchange member.

Of course, financial literacy, as well as giving back, are a big part of who we are as a credit union. We will continue to give however we can, whether that includes resources, time, or monetary donations. We appreciate all of our members and partners for your support!

For more information and upcoming events, be sure to follow our social media!





## HOW TO PREVENT CREDIT CARD FRAUD

Not too long ago, it was the season for swiping. Now, your financial statements are rolling in. Be sure to review them carefully to identify any unrecognizable transactions, mystery fees, or other charges that seem off.

Credit card fraud is one of the top crimes to plague consumers, especially around the holidays. The technology to get your information is so sophisticated that fraudsters can capture and compromise your information by laying their phones or wallets close to yours. They also get your credit card information using fake fixtures on ATMs and gas pumps!

Is it possible to protect your credit card information when fraudsters seem to have the upper hand? Yes. Some of the ways include:

- Getting an RFID-blocking security wallet. As of now, fraudsters don't have the technology to circumvent this level of protection
- Changing your passwords and passcodes for accessing your credit card accounts often
- Setting up two-factor authentication on your credit card account

Unfortunately, we aren't always able to stop credit card fraud. But there are actions you can take, including the ones listed above, to be a fraud fighter and not a fraud victim.

# REFINANCE TODAY!

Save on your auto loan! When you refinance, you could lower your monthly payment. Why wouldn't you want to save money every month?



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Start saving for the holidays now!



A Christmas Club Account lets you build your holiday budget all year long. Open one now and celebrate later! Head to your Online Banking to open one today!

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