

EVFCU Telegram



Quarterly newsletter for members of Embarrass Vermillion Federal Credit Union

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The benefits of paying bills on time

Bills are a fact of life. We pay them because we have to. We hope we have enough money to cover all of them, but often, we are not concerned if we pay them a little late. But, there are some major benefits to paying your bills on time. Here are a few of the important ones:

Improves Credit Score (FICO)

When you apply for a loan, mortgage, insurance, or maybe even a job, the institution to which you are applying will check your credit rating and credit score.

Your credit score, or FICO, is a score that ranges between 300 and 850. The higher your score, the better the rates you will get. Your score is based upon a number of things in your credit history, like the amount of money you owe, types of credit you have, and how well your bills are paid on time. In fact, your payment history could possibly account for 35% of your score.

More and more lenders look closely at your bill-paying history.

In some cases, they rank the importance of your bill-paying history higher than your FICO score in the loan-approval process.

Improves Chances of Owning a Home

As already mentioned, your FICO score plays a big part in determining credit worthiness for a potential loan or mortgage. Mortgage lender, in particular, are being more thorough, and sometimes stricter, in their approval process. So, if you don't own a home yet, but would like to, keep rent, car, or other loan payments paid on time.

Maintains Low Interest Rates on Credit Cards

Every day we get bombarded with new credit card offers for transferring the balance from a higher interest rate credit card to a lower one. Many of these offers feature low interest rates, but be aware of the fine print. Some contracts state that if you miss, or are late with, one payment, your introduc-



tory rate, which could be as low as 1.9% annual percentage rate, could jump to 20% APR.

The fine print of the contract gives the credit card company some leeway in when they can raise your interest rate. But, whether it's after one or two late payments, rest assured that it will go up if you have more than one late payment.

Eliminates Late Fees/Finance Charges on Credit Cards

If you've ever missed a credit card payment, you "paid through the nose" later. The going rate for late fees is about \$29. On some credit cards, depending on your balance, a late fee could go as high as \$35. As time goes on, these fees keep climbing.