Consumer Credit Education Program

Transform Credit Inc. d/b/a Together Loans

California lending License #60DBO-108183

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Introduction

Transform Credit Inc. d/b/a Together Loans is committed to providing fair and accessible credit to all borrowers. This electronically written seminar is provided to you in accordance with Section 22304.5(c)(1)(b)(2) of the California Financial Code. It can be downloaded at no cost from our website at www.togetherloans.com

This document is intended to provide helpful information to you as you decide which loan program best fits your needs. Included is information on credit scores, credit reports, and how your credit impacts the loan options available to you.

Please contact us with any questions regarding this information or your loan with Together Loans.

Contact Us: 470-435-6300

Monday - Friday 8am-8pm CT

How Installment Loans Work

Installment loans refer to a type of credit wherein you obtain a specific amount of money (referred to as the "principal") and proceed to reimburse this amount, along with interest, according to a predetermined repayment plan. With each payment made, both the principal and/or interest balance decrease until the entire principal amount is completely repaid.

Cost of Credit

Lenders generate revenue by imposing interest on the borrowed principal amount. When you repay the loan, the total sum of payments will exceed the principal, with the excess being the interest charge. The interest charge is expressed as a percentage, which is used to determine the installment payment amount and the overall repayment amount. Federal law requires that lenders disclose these amounts, in addition to others, to you on the loan agreement.

As an example, you may be offered the following loan terms:

Principal Amount (the amount you are borrowing): $3,000

Interest rate: 35.99%
Number of Payments: 24
Payment Amount: $177.13
Payment Frequency (how often you will make a payment): Monthly

Total of All Payments: $ 4,251.12

Loan Repayment

Repayment of installment loans follows a predetermined payment amount and schedule. Your payment is calculated using factors such as the principal amount, interest rate, repayment frequency (e.g., monthly), number of payments, and the period between origination and the first scheduled payment. By making each scheduled payment on time and in full, you will successfully repay your loan.

Additionally, under California law, you have the option to pay off your loan ahead of schedule without incurring any extra charges. It is highly recommended that you contribute as much as possible towards your payments whenever feasible. This approach enables you to minimize interest expenses and reduce the overall cost of your loan.

The Value of Establishing a Credit Score

Lenders assess your credit score and credit report to evaluate your track record in handling previous credit responsibilities. Your credit score reflects your payment history and serves as an indicator for lenders to predict your future payment reliability. Credit scores typically range from 300 to 850, and having a favorable credit score increases your chances of obtaining more advantageous credit terms.

If you have never utilized credit before or have a history of poor credit management, you may receive less favorable credit offers or even face rejections. Establishing a solid credit history requires time and effort, so it is crucial to start early and proactively build your credit before the need arises.

Ways to Establish a Credit Score - Get a Credit Card and Use it Wisely

To initiate the process of building credit and improving your credit score, utilizing a credit card can be an effective approach, provided it is used responsibly. While credit cards can lead to debt if mismanaged, they can serve as a valuable tool for credit-building by following a few fundamental steps. When selecting a credit card, opt for one with a modest spending limit, allowing you to spend only what you can comfortably pay off each month. The low spending limit acts as a safeguard against overspending, while budgeting your monthly expenses ensures that you can avoid interest charges that can increase your balance.

One alternative to consider is a secured credit card, which requires a cash deposit matching your credit limit. Similar to a traditional credit card, you can build credit by making purchases, maintaining low balances, and consistently making on-time payments each month. The distinction lies in the fact that secured credit cards are backed by the cash deposit.

Another option involving credit cards is to become an authorized user on someone else's card or open a joint account. By partnering with an individual who already has an established credit history, you can potentially benefit from a lower interest rate. Making timely payments on this shared account contributes to building your own credit. It's important to note that both parties are accountable for repaying charges on the card, and the credit scores of both individuals are influenced by the payment history. Parents may choose to assist their children in building a credit history by adding them as authorized users on their existing card.

Build Credit without a Credit Card

If credit cards are not your thing, there are many other options to help you build your credit.

Pay your Bills on Time

Paying your monthly bills on time is a simple yet effective method to build your credit. Some rent-reporting companies have the practice of reporting your rent payments to one or more credit bureaus. However, not all rent companies engage in this reporting, and even if your rent payments are included in your credit report, they may not necessarily impact your credit score. You can conduct a quick internet search to find companies that do report rent payments, but it's important to inquire about any potential limitations or fees associated with their services.

Additionally, regularly paying your utility bills can contribute to building your credit history. Previously, utility bills only had a negative impact on credit scores when payments were missed or not made. However, there has been a recent change with Experian, one of the credit bureaus, offering a service that incorporates successful utility bill payments into your credit score.

Get an Installment Loan

An installment loan is a borrowing arrangement where you receive a specific sum of money and repay it through regular, scheduled payments. Many installment lenders report successful payments to credit bureaus, which can help enhance your credit history.

There are various types of installment loans, each with its own risks and benefits. Vehicle loans, for example, are secured by the vehicle itself, granting the lender the right to repossess the car if loan repayments are not met. This serves as protection for the lender in case of non-payment. Student loans, on the other hand, are typically unsecured and designed to assist with educational expenses. They come with specific repayment rules that must be followed.

Other unsecured loans can be obtained from online or brick-and-mortar lenders. Unsecured loans generally carry higher interest rates, making them more costly, but they can be obtained without an extensive credit history. Before signing any loan agreement, it is crucial to thoroughly read and understand the terms and conditions.

If you have limited or no credit history, you may require a co-borrower for an installment loan. Similar to a joint credit card, a co-borrower is an individual with an established credit history who shares responsibility for ensuring the loan is repaid.

Regardless of the type of installment loan you choose, it's important to inquire with the lender about their policy of reporting positive payment histories to credit bureaus.

Build Credit without a Credit Card - Know Where You Stand Today

To begin improving your credit score, it is essential to first determine your current score. This can be easily done online for free. Obtaining your credit score will provide you with insights into the factors that have the greatest impact on your score, allowing you to identify areas for improvement. All three major credit bureaus offer methods to check your score, and you can access your credit report at no cost through www.annualcreditreport.com. Familiarizing yourself with your current score and credit report is a crucial initial step in the process of improving your creditworthiness.

Pay your Bills on Time

Your credit score serves as an indicator of your willingness and ability to fulfill your financial obligations. The most effective approach to improving your credit score is by consistently meeting these obligations on time and in full. Lenders rely on your past performance as a predictor of your future behavior.

You have the power to influence your credit score by ensuring that all your bills are paid as agreed. Late payments or paying less than the required amount can have a negative impact on your credit score. Utilizing tools such as automatic payments and calendar reminders can assist you in staying on track with your obligations.

If you fall behind, it’s important that you catch up as soon as possible. Negative information stays on your credit score for seven years, but its impact declines over time as you bring yourself current.

Pay off your Debt and Keep Balances Low

An essential factor in determining your credit score is your credit utilization, which is calculated by dividing the total amount of your credit card balances by your overall credit limit. For instance, if your monthly balance amounts to $3,000 and your total credit limit is $10,000, your credit utilization would be 30%. It is generally advisable to maintain a utilization rate below 30%, and lower percentages are even more favorable. Lenders consider this ratio as an indicator of how responsibly you manage your credit. To decrease your credit utilization, you can implement the following strategies:

- Keep your balances low overall.
- Aim to pay off as much debt as possible.
- Consider becoming an authorized user on someone else's credit account and ensure timely payments are made.

Only Apply for New Credit as Needed

Use credit only when needed; avoid opening unnecessary accounts for a better credit mix. Multiple accounts can harm your score by creating too many inquiries on your report and by tempting overspending.

Don't Close Unused Credit Cards

Keeping unused credit cards open, especially if they don't have annual fees, is beneficial. Closing the account reduces your available credit, which can increase your credit utilization and potentially harm your credit score.

Be Careful How Many Times You Apply

When you apply for credit, it triggers a hard inquiry on your credit report. Lenders request your credit information from the credit bureau, and this inquiry is recorded. Accumulating too many hard inquiries can have a negative impact on your credit score. It's important to note that hard inquiries remain on your credit report for a duration of two years.

Monitor your credit

Alongside understanding your current credit standing, it is crucial to actively monitor your credit report and address any inaccuracies promptly. Inaccurate information has the potential to lower your credit score. It is recommended to check your credit report at least once a year and ensure the listed accounts are accurate. If you identify any errors, it is important to dispute and correct them immediately. You can initiate the dispute process by contacting the credit bureau and/or the lender associated with the incorrect information.

Factors that Impact a Credit Score - The Top Five Factors

There are many things that impact your credit score, but here are the most common:

1. **Payment History:**

   Your credit score is primarily influenced by your past performance in repaying credit obligations, making it the most significant factor. Even a single missed or late payment can have a negative impact on your score. Lenders place great importance on your ability to make payments on time and in the agreed-upon amounts. Payment history holds significant weight, accounting for approximately 35% of your FICO credit score.

2. **Credit Utilization**

   Credit utilization refers to the ratio of your total balances to your total credit limit. This percentage demonstrates to lenders the extent to which you rely on available credit rather than cash funds. It is advisable to keep your credit utilization below 30%. Credit utilization plays a significant role in determining your credit score, accounting for approximately 30% of the overall calculation

3. **Credit History Length**
   The length of time you have held credit accounts contributes to around 15% of your FICO credit score. This factor considers the age of your oldest and newest credit accounts, as well as the average age of all your accounts. Generally, a longer credit history tends to result in a higher credit score.
4. **Credit Mix**
   Having a diverse mix of credit account types can contribute to improving your credit score. This includes various types of accounts such as car loans, credit cards, student loans, mortgage loans, and other loan types. Credit scoring models typically assess both the variety and number of account types you hold, as well as your ability to manage them effectively. A well-managed mix of credit accounts can positively impact your credit score. Credit mix constitutes approximately 10% of your overall credit score.
5. **New Credit**
   Opening numerous new accounts simultaneously can have a negative impact on your credit score. Having an excessive number of accounts or inquiries can signal to lenders that you pose an increased risk, which can result in a lower credit score. The quantity of recently opened accounts constitutes approximately 10% of your overall credit score calculation. It is advisable to be cautious and avoid opening multiple accounts within a short period to maintain a favorable credit standing.

Types of Accounts that Impact Credit Scores

Your credit file contains information about the credit accounts you maintain, these are typically categorized as installment loans or revolving credit.

- **Installment Loans** are a specific type of loan in which you borrow a predetermined amount of money and repay it, along with interest, through regular and scheduled payments. Student loans, car loans, and mortgage loans are common examples of installment loans. With these types of loans, you agree to make consistent payments over a set period until the loan is fully paid off. This structure allows borrowers to manage their repayment obligations in a structured manner.
- **Revolving credit** accounts are flexible credit arrangements where you are provided with a predetermined credit limit that you can utilize at any time. Unlike installment loans, revolving credit allows you to make multiple draws and repayments based on your ongoing needs. The amount borrowed can vary, and you only need to make scheduled payments based on the outstanding balance. Examples of revolving credit accounts include home equity loans, credit cards, and personal lines of credit.

How Does Having Different Accounts Affect Your Credit Score?

The composition of your credit accounts, also known as the mix of credit, plays a significant role in determining your credit score. Having a diverse range of credit types, such as mortgages, car loans, credit cards, and others, demonstrates to potential lenders that you can effectively handle various types of debt simultaneously. This showcases your ability to manage different financial obligations.

While it is important to have a balanced credit mix, it is not advisable to open numerous credit accounts solely for the purpose of achieving a diverse mix. Instead, it is recommended that you consider the overall credit mix when making informed credit decisions. Strive for a well-rounded credit portfolio by responsibly managing and utilizing different types of credit, rather than artificially pursuing a specific credit mix.

What Can Hurt Your Credit Score

There are many different aspects to your credit score, and, consequently, many things that can negatively impact it. Here are a few of the most common:

- **Missing Payments**

  Your credit score is primarily based on your payment history, as it reflects your ability to repay credit. Missing just one payment can have a negative impact on your score. It is crucial to make all payments on time to maintain a good credit score.
- **Using too much credit**

  If your credit utilization exceeds 30%, it may raise concerns for future lenders that you heavily rely on credit and may struggle to repay additional loans. Credit utilization, which refers to the amount of available credit you are using, accounts for around 30% of your credit score. It is advisable to keep your credit utilization below this threshold to maintain a positive impact on your credit score.
- **Applying for too much credit**

  Each time you apply for new credit, a hard inquiry is recorded on your credit file. These inquiries remain on your file for a duration of two years and have the potential to lower your credit score. If you accumulate too many inquiries within a short period, it can signal to lenders that you may be facing financial difficulties or have been denied credit by other lenders, which can have a negative impact on your credit score. It is generally recommended to limit the number of credit applications you make within a short timeframe to maintain a healthier credit profile.
- **Defaulting on accounts**

  Negative outcomes on credit accounts, such as foreclosures, repossessions, charge-offs, settlements, etc., can stay on your credit file for up to a decade and significantly lower your credit score.

How to Check Your Credit Score

It is important to actively monitor your credit score and record. There are many ways to do this:

- Visit the free credit scoring website www.annualcreditreport.com. This site consolidates reports from the major credit bureaus and allows you to obtain your report for free once a year.

  Contact the bureaus directly and request a copy of your credit report. The three major bureaus (Experian, TransUnion, and Equifax) each have programs that allow you to request a copy of your report, although fees may apply.

To purchase a copy of your report, you may contact the three credit reporting bureaus:

Experian	**TransUnion**	**Equifax**
1-888-397-3742	1-800-916-8800	1-800-685-1111
www.experian.com	www.transunion.com	www.equifax.com
PO Box 4500	PO Box 2000	PO Box 740256
Allen, TX 75013	Chester, PA 19016-2000	Atlanta, GA 30374-0256

How to Obtain a Free Copy of Your Credit Report

AnnualCreditReport.com

The free credit scoring website www.annualcreditreport.com allows you to obtain a copy of your credit report free of charge one time each year. Federal law gives you the right to get a free copy of your credit report every 12 months.

To order, visit www.annualcreditreport.com , call 1-877-322-8228, or complete the Annual Credit Report Request Form and mail it to:

Annual Credit Report Request Service PO BOX 105281 Atlanta, GA 30348-5281

Adverse Action Taken Against You

In the event that a company takes negative action against you, such as refusing you credit, insurance, or employment, due to information found in your credit report, there is a federal requirement for the company to furnish you with a complimentary copy of your credit report. You have a period of 60 days following the action to formally request the report. The notification provided by the company will contain the name, address, and contact number of the credit reporting agency responsible for obtaining your credit file.

Other Sources of a Free Report

You are entitled to a free report each year if you are unemployed and plan to look for work within 60 days, if you are on welfare, or if your credit report is inaccurate because of fraud or identity theft.

How to Dispute an Error on Your Credit Report

When encountering an error on your credit report, it can be a source of stress, but there are methods available to challenge and rectify inaccuracies. Correcting these inaccuracies has the potential to enhance your credit score.

It is advisable to review all of your credit reports for accuracy and initiate separate disputes with each credit bureau to ensure comprehensive correction of your information. According to the Fair Credit Reporting Act, both the credit bureau and the information provider (the individual, company, or organization that furnished your credit information to the bureau) share the responsibility of rectifying any inaccurate or incomplete data.

To dispute any item on your credit report, it is essential to contact both the credit bureau (using the aforementioned information) and the information provider.