



la cooperativa de ahorro y crédito

**BROOKLYN
COOPERATIVE**

FEDERAL CREDIT UNION

Application for Secured Credit

'Secured credit' means a loan which is 100% backed by cash that is frozen in your Brooklyn Cooperative account.

The credit union does not perform a credit or income check for secured loans. A credit check **will** be done in the case of secured card applications; the minimum required credit score is 650.

Application Requirements:

- There is a **\$25 application fee** for all loan applications.
- For a secured credit card or secured loan, you must deposit the secured funds before the loan is processed.

Brooklyn Cooperative offers the following three types of secured credit. **The minimum to start is \$500**; for credit builders, the maximum is \$15,000. Feel free to consult with your Loan Officer with any questions you may have.

Secured credit card — 13.74 % APR (v.)

To obtain a secured credit card, complete and sign this application, pay the \$25 fee and sign the Pledge of Shares. The card will be delivered to your home in about two weeks. You can cancel the card at any time and the unused portion of the security deposit will be refunded. A secured credit card functions just like a regular credit card; check the Disclosure for all the fees and terms.

Regular secured loan — 5.00 % APR (f.)

To obtain a secured loan, complete and sign this application, pay the \$25 fee, and sign a loan contract with the terms you choose. You may either withdraw the loan proceeds or keep it in your savings account. Your security deposit will be frozen in your account until the loan is paid in full. After your final loan payment, your funds will be unfrozen.

Credit builder loan — 8.00 % APR (f.)

To obtain the credit builder loan, complete and sign this application, pay the \$25 fee and sign a loan contract with the terms you choose. No security deposit is necessary, and there is no cash out after signing the loan contract. You can access the funds after the loan is paid off. Refer to the back of this application for more information on credit builder loans.

1. Amount requested: \$

Product: Secured loan Secured credit card
 Credit builder Other

2. Personal Information

Full name _____ Brooklyn Cooperative account number _____
Home telephone _____ Cellular phone _____
Current address _____
Email address _____
Personal reference name _____ Telephone _____

3. Applicant's Signature

All statements made above are true and complete and submitted for the purpose of obtaining credit. In considering this application Brooklyn Cooperative FCU may contact my personal references, employer and evaluate reports from outside credit reporting agencies. I may request to know whether the credit union obtained such reports, and if so, from whom.

Signature _____ Date _____

Record of action (for internal use)

Date of Action _____ Secured card Secured loan Credit builder
Amount Approved \$ _____ Security available? Notes _____

Signature of Loan Officer _____

How does a credit builder loan work?

A credit builder loan is a loan in reverse. With a “normal” loan — that is to say, an unsecured loan — you receive the funds when you are approved and then you make a regular monthly payment until the loan is repaid. With a credit builder loan, you make your monthly payments first, then receive the loan at the end of the term.

Most people take out a credit builder loan because they want to establish positive credit history (see the *Introduction to Credit*, below, for an explanation of this). In addition to the credit reporting benefit, there is also a savings benefit since making a regular monthly payment is similar to making a regular monthly deposit, and completed credit builder loans always result in positive savings at the end.

The most important consideration in a credit builder loan is the amount of the monthly payment. This should be a very comforta-

ble amount for you to make since missing a payment will have a negative effect on your credit, which is the opposite of your goal.

Here are some examples of credit builder loan terms. Other options are available, including bi-weekly or weekly payments. Consult with the Loan Officer as to what monthly payment, what frequency, and how long your credit builder should be.

<i>Term</i>	<i>Monthly Payment</i>	<i>Loan Amount</i>	<i>Total Interest</i>
6 mos	\$ 86.	\$ 500.	\$ 12.
12 mos	\$ 45.	\$ 500.	\$ 22.
18 mos	\$ 120.	\$ 2,000.	\$ 129.

Introduction to Credit

The main benefit of secured loans is the establishment of positive credit history, which is constructed month by month as you make your payments on time. A strong credit report helps you access unsecured credit in the future.

Credit reports contain four types of information:

- Personal information (name, current and previous addresses, Social Security Number)
- Account information (credit accounts you’ve held, the most you’ve borrowed, the current balance and whether you’ve paid on time)
- Public records (bankruptcy, court judgments or tax liens), and
- Inquiries (the names of companies that have looked at your credit rating in the past two years).

Types of accounts typically included in a credit report include:

- Credit cards or department store and gas cards
- Bank or credit union loans and credit cards
- Auto loans and leases
- Mortgages
- Consumer finance company accounts

Types of accounts that do **not** appear on a credit report include:

- Rent payments
- Rent-to-own accounts
- Payday loans or loans from non-bank lenders like check cashers
- Checking account or debit card information
- Accounts with non-profit lenders

When you are establishing credit, your goal should be to get accounts that will be reported each month to the three major credit bureaus (Experian, Equifax and Trans Union). Be sure to pay each bill on time or you may risk a negative mark on your credit report. Late payments stay on your report for seven years and make it more difficult to get credit at good rates.

It’s In The Numbers

Almost every lender in the United States reviews the credit scores of applicants in order to help them decide whether to offer credit. A credit score predicts how likely someone is to pay their bills in the future based on how well they have paid their bills in the past. Most credit scores are created by a company called Fair Isaac, which creates what are called “FICO” credit scores. To create a credit score, payment histories from your past and current creditors is evaluated along with other information like inquiries or address changes.

According to Fair Isaac, five factors make up your credit score:

Payment history	35%
Amounts you owe	30%
Length of credit history	15%
New credit	10%
Type of credit in use	10%

Note that if you have few or no credit accounts that have been reported to the credit bureaus then you may not have a credit score, or your score may be low due to little credit experience.

Credit scores usually fall between 350 and 850. A score below 650 is considered risky and it is more difficult to get access to affordable credit. A score of 650 – 680 is still risky but credit is generally available at less favorable terms. A score of 680 – 720 is better, while a score of 720 and above is usually considered very good. Keep in mind that every creditor has its own policies, and each one may look at the same score differently.

Also, keep in mind that your credit score can be different depending on which credit bureau supplied the information used to create it and what formula each lender uses.

To review your credit report for free, speak to our credit counselors. Call us at 718 418 8232 x0 to set up an appointment.

Text Source

Consolidated Credit Counseling Services. Credit in a New Country. Online.