

# CNB Connection



## What's in a credit score? And how can I improve it?

Portions from *Lifehacker.com*

You know having a good credit score is important in order to obtain a loan, but what's really considered "good" and what kind of impact can a higher credit score really have on you? Oftentimes, credit score ranges determine what interest rate you qualify for to receive on a loan.

Credit Score	Interest Rate
760-850	3.9%
700-759	4.1%
680-699	4.3%
660-679	4.5%
640-659	4.9%
620-639	5.5%

Example chart

So in this example, a person with an 800 credit score would qualify for a 3.9% interest rate on a 30-year mortgage. A person with a 620 credit score qualifies for an interest rate of 5.5%. Over the course of that 30-year loan, that difference in interest on a \$200,000 home purchase equates to an extra \$68,000 in payments!

So what all is included in a credit score and how can you improve it over time? Credit scores are compiled by the Fair Isaac Corporation (FICO) and these scores along with the accompanying reports provided by the three main credit bureaus (Transunion, Experian and Equifax) combine to provide a picture to your lender of your creditworthiness. According to FICO, there are five factors that make up your credit score, each weighted differently. They include:

- Payment history (35% of total score)
- Amounts owed (20% of total score)
- Length of credit history (15% of total score)
- New credit (10% of total score)
- Types of credit (10% of total score)

In order to improve your credit score, here are some actions to consider in regards to each of these factors.

**Payment history** – Of course paying your

bills on time is a huge portion of this score, but the amount and length of time it took to pay late bills is taken into consideration. A \$55 credit card payment that is 90 days late will usually have a smaller impact on your score than a \$500 auto loan payment that's 6 months late. Also, focus on bills you can fully pay so they won't damage your score more. Then focus on the ones that have been overdue the longest time.

**Amounts owed** – What's most important here is not the total amount you owe but the proportion of the available credit that you are using. For example, a balance of \$5,000 on a credit card with a \$20,000 credit limit uses 25% of the available credit. This is better than a balance of \$1,500 on a card with a \$3,000 limit, which is using 50% of the available credit. As much as possible reduce or eliminate balances that carry over month to month on your credit cards to eliminate this issue.

**Length of credit history** – A person with 30 years of credit history is scored more highly than one with 10. Establishing a credit card with a low limit as early as high school and paying it in full every month can be a good way to start. Also, don't close an account in good standing unless you have to. It's proof that you've consistently paid on time. Once it's closed it doesn't benefit your score as much.

**New Credit** – Each time you apply for a new credit account or loan, it will temporarily hurt your credit score. Use credit sparingly and don't apply for multiple credit cards in one time period.

**Types of Credit** – Having different types of credit, auto loans, mortgage, credit cards, may help your credit score.

An important step in monitoring your credit score is checking your credit report. You are able to do this free once per year via [AnnualCreditReport.com](http://AnnualCreditReport.com). Review it carefully and if you notice any errors, report them immediately to one of the three credit bureaus.

## Christmas Wreath

*A festive holiday treat.*

Thanks to everyone who participated in our Cooking It Up with CNB Recipe Contest. Each winner received a \$20 local grocery gift certificate and a Royal oval serving dish. This quarter's featured recipe is the winner from the Celina office. Try this yummy recipe at your next holiday gathering!

- 2 tubes crescent rolls
- 8 ounces cream cheese
- 1 jar maraschino cherries
- 1/3 cup granulated sugar
- powdered sugar
- milk
- green food coloring
- chopped pecans

**Open crescent rolls. Lay dough in a circle on a pizza pan. Seal perforations. Mix cream cheese, granulated sugar, chopped cherries (reserve a few whole ones for "holly" on top of wreath), chopped pecans (reserve some for on top of the wreath) and a little of the maraschino cherry juice. Spoon this mixture in the center of the crescent roll dough circle. Wrap the dough over and around the mixture and seal, forming a round tubular wreath. Bake 15 minutes at 350 degrees. Make an icing with powdered sugar, a little milk and green food coloring. Garnish with maraschino cherries and pecans.**

Did you submit a recipe for the contest or would you just like to receive a copy of all the delicious recipes we received? They've all been compiled into a Cooking It Up with CNB cookbook, which you can download here. Some of these recipes are sure to become some of your holiday favorites!



## CNB Messenger- Email Account Alerts

*2 NEW Alerts Now Available!*

Keeping track of your CNB account activity has never been easier than with email alerts. These alerts, free to all online banking users, provide valuable information daily about your account, giving you a simple way to monitor your balances and prevent you from overdrawing your account. Existing alerts include:

- **Checking Account Daily Activity** – a list of every transaction that occurred within the last 24 hours
- **Checking Account Daily Balance** – notification once a day of the current balance
- **Checking Account Low Balance** – notification when the balance falls below the amount the customer designates
- **Check Cleared** – notification when a specific designated check has cleared the account
- **Savings Account Daily Activity** – a list of every transaction that occurred within the last 24 hours
- **Loan Payment Due** – notification that payment has not been made by the due date

In addition to these alerts, CNB has now added two more:

- **Checking ACH Credit**
- **Checking ACH Debit**

ACH or Automated Clearing House is a process of transferring money from one account to another electronically. In simple terms, ACH credit means depositing funds into an account and ACH debit means withdrawing money from an account. Credits may include such things as direct-deposit payroll payments or received person to person payments. Debits may include bill payments and automatic loan payments. Many companies utilize ACH even if you write them a check. In these cases, the transaction is converted to an electronic transaction once they receive your payment. Typically ACH transactions are credited or debited more quickly than traditional check payments and may hit your account faster than what you'd planned. By utilizing these two new alerts you will know daily how many and what amount each of the ACH transactions were for and can account for them in your checking ledger.

In order to sign up for CNB Messenger Alerts, simply log into Online Banking and click the number "0" alerts from your Account List page. This will take you to the Messenger Center. Click Alert List, and then Setup New Alert. From here you may choose which alert to enroll in from the dropdown menu. Choose as many or few alerts as you like and designate which email account to have them sent to. You will begin receiving your alerts within 24 hours of enrolling.



### Andrew Rager, VP Loan Originator

*What is escrow and how is it figured?*

Many customers choose to escrow, or add to their payment, the cost of other related items to ensure these items are paid in full and on time. The escrow portion of your payment can include the real estate taxes for the property, hazard and flood insurance premiums, private mortgage insurance and life and/or disability insurance.



At the closing of your loan, you will receive an initial escrow disclosure. This disclosure displays an anticipated year of activity which includes the monthly payment, disbursements to pay your taxes and insurance and a running balance on the account. An initial escrow deposit is collected at your loan closing to open your escrow account as shown on the disclosure. The bank is also allowed by law to maintain a two month escrow reserve in case your taxes or insurance should increase. Annually you will receive an analysis of your escrow account. The analysis will list the past year's payment and disbursement activity as well as the running balance. The analysis will also include the same history but for the following year. The annual analysis will determine if there is a sufficient balance in your account. Your account may have a shortage, thus requiring you to make a special escrow payment or an overage that will be refunded back to you if it exceeds \$50. The monthly escrow payment will also be adjusted as a result of the analysis. CNB requires that you escrow for your taxes and insurance if you do not have 20% equity in your property; otherwise it is optional.

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Take advantage of a limited-time sweepstakes for Citizens National Bank customers. When you try a TurboTax Online product for FREE from January 5 through February 21, 2012 (and provide a valid email address so we can reach you if you win), you'll be automatically be entered for a chance to win the \$15,000 Grand Prize or one of 10 \$500 First Prizes.

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- **You'll get your biggest possible refund in as few as 7 days when you efile and use direct deposit.**

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