



Check 21 Is Now Here

As of October 28, 2004, **Check 21** went in to effect. What is **Check 21**? The Check Clearing for the 21st Century Act. Federal law now makes it possible to process checks quicker by allowing the receiving financial institution to treat an electronic image the same as the check itself.

Why is the government giving an electronic image the same rights as a paper check? There are over 40 billion checks written annually in this country costing thousands of dollars a year to process.

With **Check 21**, credit unions can now fully implement the efficiency of electronic transmission by taking a picture of the check or creating a legal substitute check, then transferring it electronically rather than transporting it via truck, train or plane. This new efficiency will have many significant benefits:

- ◆ Checks will clear faster
- ◆ Check fraud will decrease
- ◆ Security will increase

“This is a legal copy of your check. You can use it in the same way you would use the original check.”

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Substitute checks are required to accurately represent all the information on the front and back of the original check.

Substitute checks are the legal equivalent of an original check for all purposes, including any provision of federal or state law.

Members who believe a substitute check was not properly processed may be entitled to a credit for the amount of the check pending an investigation.

If a member makes a claim, the credit union must investigate any claim, and, in most instances, either resolve the member's claim within 10 business days, or provide the member with a re-credit of up to \$2,500 pending completion of the credit union's investigation. Final determination of any such investigation must be made within 45 days.

HERE'S WHAT TO EXPECT

If you were receiving an original check or image statements you can now expect to begin receiving substitute checks. The substitute check will contain an image of the original check and will bear the legend: “This is a legal copy of your

Check 21 will significantly reduce the amount of time required to move money out of your account and pay recipients of your checks. So your checks will clear faster and you will need to keep closer tabs on your accounts to make sure funds are available on time.

New Car Buying Made Easier



Capital Eurocars and FAMU FCU just made car buying easier.

Did you know, when buying a new car at Capital Eurocars, as a member of the FAMU Federal Credit Union, you are entitled to a FAMU FCU special discount. Depending upon the make

and model of the vehicle you may be eligible of a savings up to 5% off the sticker price.

During your next visit to the dealership be sure to mention that you are a member of FAMU FCU.

Safe Deposit Boxes

Finally the long awaited safe deposit boxes are now available. As you know, we stated that we had anticipated offering this service earlier during 2004. Unfortunately, several other projects caused a delay in offering this state-of-the-art system. However, one of the most secure safe

deposit box systems available in all of the North Florida, the FAMU Palm Reader is now available.

To our knowledge, we are the only financial institution in the area to offer a **hand symmetry recognition system**.

Member's Update

Have you recently moved? Did you notify us of your move? If not, please request a change of address form from our

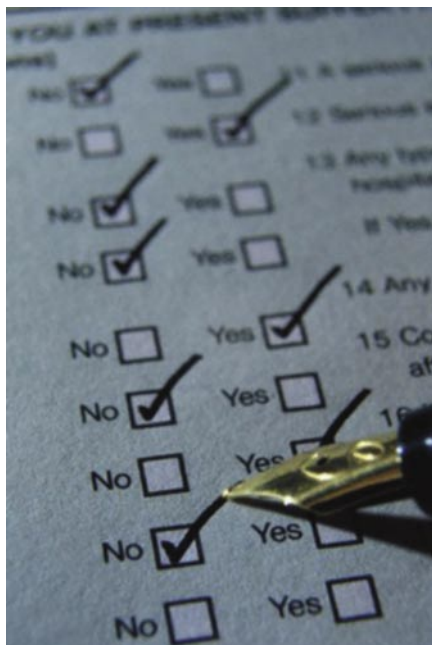
Member Services Department or you may access our website at www.famufcu.com.

2005 Annual Meeting

Our 2005 Annual Meeting will be held on Wednesday, March 23, 2005, at the FAMU Federal Credit Union in our community room. The Annual Meeting is designed to provide members with a forum to learn more about the credit union, discuss issues, gather information, and meet the credit union's staff and board members.

BOARD OF DIRECTORS 2005 VACANCIES

The Board of Directors' Nominating Committee will be accepting applications for three Board of Directors vacancies. The Director position has a three-year term that will run from 2005 through 2008.



HOW TO APPLY

All members interested in running for this year's Board of Directors vacancies should contact the credit union to obtain a Statement of Qualifications and Biographical Data form. This form must be completed and returned no later than **February 11, 2005**.

For your convenience, we have included in this issue the minimum Board of Director's qualifications:

- ◆ Must be a member for three years.
- ◆ Must be a member in good standing with the credit union.
- ◆ Must have an overall satisfactory credit rating.
- ◆ Must be willing to attend monthly meetings and volunteer the time necessary to be an active member of the Board of Directors.

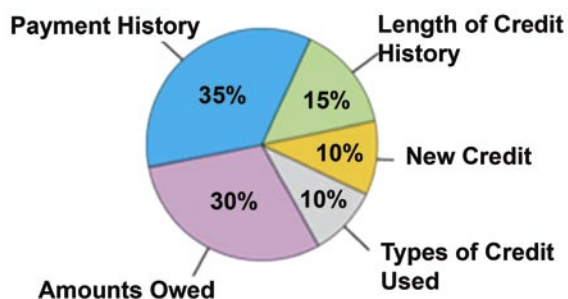
THE MAIL BALLOTING PROCESS

- ◆ Voting ballots will be mailed to the membership during the week of February 21, 2005.
- ◆ Each member should mark their ballot to indicate their candidate of choice.
- ◆ Do not sign the ballot. Ballots are anonymous.
- ◆ Place the ballot in the envelope that will be provided and seal the envelope.

Ballots may be submitted either through U.S. Postal Service or hand delivered to the credit union. Affix a \$0.37 postage stamp if sent via U.S. Postal Service

Understanding Your Credit

FICO Scores are calculated from a lot of different credit data in your credit report. This data can be grouped into five categories as outlined below. The percentages in the chart reflect how important each of the categories are in determining your score.



These percentages are based on the importance of the five categories for the general population. For particular groups—for example, people who have not been using credit long—the importance of these categories may be somewhat different.

Payment History

- ◆ Account payment information on specific types of accounts (credit cards, retail accounts, installment loans, finance company accounts, mortgage, etc.)
- ◆ Presence of adverse public records (bankruptcy, judgments, suits, liens, wage attachments, etc.), collection items, and/or delinquency (past due items)
- ◆ Severity of delinquency (how long past due)
- ◆ Amount past due on delinquent accounts or collection items
- ◆ Time since (recency of) past due items (delinquency), adverse public records (if any), or collection items (if any)
- ◆ Number of past due items on file
- ◆ Number of accounts paid as agreed

Amounts Owed

- ◆ Amount owing on accounts
- ◆ Amount owing on specific types of accounts
- ◆ Lack of a specific type of balance, in some cases
- ◆ Number of accounts with balances
- ◆ Proportion of credit lines used (proportion of balances to total credit limits on certain types of revolving accounts)

- ◆ Proportion of installment loan amounts still owing (proportion of balance to original loan amount on certain types of installment loans)

Length of Credit History

- ◆ Time since accounts opened
- ◆ Time since accounts opened, by specific type of account
- ◆ Time since account activity

New Credit

- ◆ Number of recently opened accounts, and proportion of accounts that are recently opened, by type of account
- ◆ Number of recent credit inquiries
- ◆ Time since recent account opening(s), by type of account
- ◆ Time since credit inquiry(s)
- ◆ Re-establishment of positive credit history following past payment problems

Types of Credit Used

- ◆ Number of (presence, prevalence, and recent information on) various types of accounts (credit cards, retail accounts, installment loans, mortgage, consumer finance accounts, etc.)

Please note that:

- ◆ **A score takes into consideration all these categories of information, not just one or two.**

No one piece of information or factor alone will determine your score.

- ◆ **The importance of any factor depends on the overall information in your credit report.**

For some people, a given factor may be more important than for someone else with a different credit history. In addition, as the information in your credit report changes, so does the importance of any factor in determining your score. Thus, it's impossible to say exactly how important any single factor is in determining your score - even the levels of importance shown here are for the general population, and will be different for different credit profiles. What's important is the mix of information, which varies from person to person, and for any one person over time.

- ◆ **Your FICO score only looks at information in your credit report.**

However, lenders look at many things when making a credit decision including your income, how long you have worked at your present job and the kind of credit you are requesting.

- ◆ **Your score considers both positive and negative information in your credit report.**

Late payments will lower your score, but establishing or re-establishing a good track record of making payments on time will raise your score.

IMPROVING YOUR SCORE

It's important to note that raising your score is a bit like losing weight: It takes time and there is no quick fix. In fact, quick-fix efforts can backfire. The best advice is to manage credit responsibly over time. **See how much money you can save** by just following these tips and raising your score.

Payment History Tips

- ◆ **Pay your bills on time.**

Delinquent payments and collections can have a major negative impact on your score.

- ◆ **If you have missed payments, get current and stay current.**

The longer you pay your bills on time, the better your score.

- ◆ **Be aware that paying off a collection account will not remove it from your credit report.**

It will stay on your report for seven years.

- ◆ **If you are having trouble making ends meet, contact your creditors or see a legitimate credit counselor.**

This won't improve your score immediately, but if you can begin to manage your credit and pay on time, your score will get better over time.

Amounts Owed Tips

- ◆ **Keep balances low on credit cards and other "revolving credit".**

High outstanding debt can affect a score.

- ◆ **Pay off debt rather than moving it around.**

The most effective way to improve your score in this area is by paying down your revolving credit. In fact, owing the same amount but having fewer open accounts may lower your score.

- ◆ **Don't close unused credit cards as a short-term strategy to raise your score.**

- ◆ **Don't open a number of new credit cards that you don't need, just to increase your available credit.**

This approach could backfire and actually lower score.

Length of Credit History Tips

- ◆ **If you have been managing credit for a short time, don't open a lot of new accounts too rapidly.**

New accounts will lower your average account age, which will have a larger effect on your score if you don't have a lot of other credit information. Also, rapid account buildup can look risky if you are a new credit user.

New Credit Tips

- ◆ **Do your rate shopping for a given loan within a focused period of time.**

FICO® scores distinguish between a search for a single loan and a search for many new credit lines, in part by the length of time over which inquiries occur.

- ◆ **Re-establish your credit history if you have had problems.**

Opening new accounts responsibly and paying them off on time will raise your score in the long term.

- ◆ **Note that it's OK to request and check your own credit report.**

This won't affect your score, as long as you order your credit report directly from the credit reporting agency or through an organization authorized to provide credit reports to consumers.

Types of Credit Use Tips

- ◆ **Apply for and open new credit accounts only as needed.**

Don't open accounts just to have a better credit mix - it probably won't raise your score.

- ◆ **Have credit cards - but manage them responsibly.**

In general, having credit cards and installment loans (and paying timely payments) will raise your score. Someone with no credit cards, for example, tends to be a higher risk than someone who has managed credit cards responsibly.

- ◆ **Note that closing an account doesn't make it go away.**

A closed account will still show up on your credit report, and may be considered by the score.



Facts and Fallacies

Fallacy: My score determines whether or not I get credit.

Fact: Lenders use a number of facts to make credit decisions, including your FICO score. Lenders look at information such as the amount of debt you can reasonably handle given your income, your employment history, and your credit history. Based on their perception of this information, as well as their specific underwriting policies, lenders may extend credit to you although your score is low, or decline your request for credit although your score is high.

Fallacy: A poor score will haunt me forever.

Fact: Just the opposite is true. A score is a “snapshot” of your risk at a particular point in time. It changes as new information is added to your bank and credit bureau files. Scores change gradually as you change the way you handle credit. For example, past credit problems impact your score less as time passes. Lenders request a current score when you submit a credit application, so they have the most recent information available. Therefore by taking the time to improve your score, you can qualify for more favorable interest rates. See how improved scores can lead to savings.

Fallacy: Credit scoring is unfair to minorities.

Fact: Scoring considers only credit-related information. Factors like gender, race, nationality and marital status are not included. In fact, the Equal Credit Opportunity Act (ECOA) prohibits lenders from considering this type of information when issuing credit. Independent research has been done to make sure that credit scoring is not unfair to minorities or people with little credit history. Scoring has proven to be an accurate and consistent measure of repayment for all people who have some credit history. In other words, at a given score, non-minority and minority applicants are equally likely to pay as agreed.

Fallacy: Credit scoring infringes on my privacy.

Fact: Credit scoring evaluates the same information lenders already look at - the credit bureau report, credit application and/or your bank file. A score is simply a numeric summary of that information. Lenders using scoring sometimes ask for less information - fewer questions on the application form, for example.

Fallacy: My score will drop if I apply for new credit.

Fact: If it does, it probably won't drop much. If you apply for several credit cards within a short period of time, multiple requests for your credit report information (called “inquiries”) will appear on your report. Looking for new credit can equate

with higher risk, but most credit scores are not affected by multiple inquiries from auto or mortgage lenders within a short period of time. Typically, these are treated as a single inquiry and will have little impact on the credit score.

WHAT'S NOT IN YOUR CREDIT SCORE

FICO scores consider a wide range of information on your credit report. However, they do not consider:

◆ **Your race, color, religion, national origin, sex and marital status.**

US law prohibits credit scoring from considering these facts, as well as any receipt of public assistance, or the exercise of any consumer right under the Consumer Credit Protection Act.

◆ **Your age.**

Other types of scores may consider your age, but FICO scores don't.

◆ **Your salary, occupation, title, employer, date employed or employment history.**

Lenders may consider this information, however, as may other types of scores.

◆ **Where you live.**

◆ **Any interest rate being charged on a particular credit card or other account.**

◆ **Any items reported as child/family support obligations or rental agreements.**

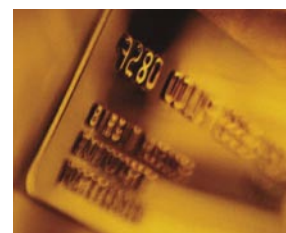
◆ **Certain types of inquiries (requests for your credit report).**

The score does not count “consumer-initiated” inquiries - requests you have made for your credit report, in order to check it. It also does not count “promotional inquiries” - requests made by lenders in order to make you a “pre-approved” credit offer - or “administrative inquiries” - requests made by lenders to review your account with them. Requests that are marked as coming from employers are not counted either.

◆ **Any information not found in your credit report.**

◆ **Any information that is not proven to be predictive of future credit performance.**

◆ **Whether or not you are participating in a credit counseling of any kind.**



Happy Holidays



2005 Holiday Schedule

December 31, 2004, Friday - **New Year's Eve**

January 17, Monday - **M.L. King's B'Day**

February 21, Monday - **President's Day**

May 30, Monday - **Memorial Day**

July 4, Monday - **Independence Day**

September 5, Monday - **Labor Day**

October 10, Monday - **Columbus Day**

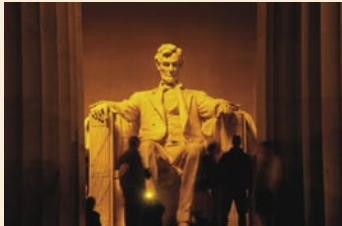
November 11, Friday - **Veterans Day**

November 24 & 25, Thur. & Fri - **Thanksgiving**

December 26, Monday - **Christmas**

2006

January 1, Monday - **New Year's Day**



Celebrating 70 Years of Service, March 2005!

FLORIDA A&M UNIVERSITY FEDERAL CREDIT UNION

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