

IMPROVING YOUR CREDIT

The quickest way to damage your credit is to fall behind on your bills—whether it's charges on a credit card, a car loan, your rent or mortgage, or a utility bill.

A poor credit record has far-reaching implications. You may find it hard to get car insurance, credit cards or other loans. If you do get credit, you will pay higher rates. You may even get rejected if you apply for a job. So if your credit goes bad, it's important to take steps to improve it.

YOUR CREDIT REPORT

When assessing your credit situation, a good place to start is by reviewing your credit report. This is a record of loans and other debt you have, and your payment history on them. Before a company approves you for an account of almost any type, it will check your credit report.

Three nationwide companies maintain credit reports—Experian, TransUnion and Equifax. Federal law requires each of them to provide you with a free credit report every year if you request it. This is something everybody should take advantage of. Go to www.annualcreditreport.com or call **1-877-322-8228** to request your reports.

WHAT TO LOOK FOR IN YOUR CREDIT REPORT

Inaccuracies

Make sure your reports contain accurate information. Mistakes can keep you from getting credit, receiving good interest rates or even landing a job. If you find something wrong on any of your credit reports, take action. Contact the credit reporting company and the company that is the source of the incorrect information. Once corrected, the company supplying the inaccurate information is required to submit an update to each credit reporting company.

Identity theft

When someone uses your information to commit a fraud, it's called identify theft. A common example is when someone opens a credit card account in your name. They get the credit, spend like mad and never pay the bills. Then, that unpaid debt shows up on your credit report. Check out articles about identity theft at the Federal Trade Commission's website, www.ftc.gov, on actions to take when you've been victimized by identity theft.

Your credit score

Let's say your credit reports accurately reflect your debt and payment history. The next thing you may want to find out is your credit score. This is a number typically between 300 and 850 that indicates your creditworthiness.

When your score is low, you'll have trouble getting new credit and will pay higher than average finance charges when you do borrow money. You can get your credit score from each of the credit reporting companies for a fee.

Your credit score, continued

The reports will come with a list of risk factors that most affected your score. You may receive free notifications of your credit score when you apply for credit as well. This is especially common for people with low credit scores.

HOW TO TURN BAD CREDIT AROUND

The most important aspect of getting and keeping good credit is to pay your debts on time. Request your free credit reports once a year and make sure they are accurate. Here are some tips on managing your credit:

- Setting up automatic payments can help with paying bills on time.
- Write a list showing each credit card, its balance, credit limit and interest rate.
- It's typically best to pay off the card with the highest interest rate first. But there's an exception. If you have a card that's close to the maximum credit limit, focus on it first. When you're close to maxing out a card, it affects your "credit to debt" ratio. The closer you are to your credit limit (for each card and overall), the lower your credit score.
- When you pay off a card, you can either cancel it (in writing) or simply take it out of your wallet. A reason for not canceling a card relates to the point above. Less available credit reduces your "credit to debt" ratio. If you hold onto a paid-off card, tuck it away so you won't be inclined to use it. A general rule is to have a balance no greater than 30% of your total credit limit.
- If you're having trouble paying your credit cards, call each company and explain your situation. They may be willing to modify your payments to make them more manageable.
- If you're really struggling and need professional help, contact the reputable National Foundation of Consumer Credit at www.nfcc.org or call **1-800-388-2227**.

TAKE ACTION!

- Get your free credit report from each of the national agencies once a year from www.annualcreditreport.com or **1-877-322-8228**.
- Report credit report inaccuracies to the credit reporting company and the company that shared the wrong information.
- Consider purchasing your credit score from each of the credit reporting companies so you can see what potential creditors and employers are seeing.
- Focus on paying down existing credit card debt, with a goal of holding no more than 30% of your total available credit limit.
- If you need help, seek it from the reputable National Foundation of Consumer Credit at www.nfcc.org or **1-800-388-2227**.

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