



STEPS TO IMPROVE CREDIT

A low credit score can affect whether you are approved for all types of loans, such as auto loans, credit cards, and mortgages. Not only are loans affected, but a low score can determine whether you get the best paying jobs or have to put down big deposits for telephone, utility, natural gas, or apartment rents. Having good credit can give you a peace of mind when it comes down to your financial needs. Take a look at some important steps that can improve your credit.

1. **Stop using credit cards**- As tempting as it is to pull out this piece of plastic, you will be better off budgeting a spending plan and use cash for your purchases. Put the credit cards up and work on paying down your credit card or revolving lines of credit below the half way point of your given limit. For example, if your limit is \$1,000 then try not to use more than 30% to 40% of the available limit, in this case \$300 to \$400.
2. **Obtain a copy of your credit report**- Correcting errors on your credit file is also a quick way to improve your score. To order a copy of your credit report, visit www.annualcreditreport.com, or call 877-322-8228. Stay away from credit repair places. You can do your own credit repair work.
3. **Pay off, settle, or bring current delinquent debts**- Repairing credit by paying off charged off credit or settling the charged off accounts will help improve your score. If you are a few months behind, bring the account current as soon as possible. If you still find this is difficult, seek a debt management organization to negotiate payment arrangements or talk with your creditor for help.
4. **Stop seeking credit**- Repair negative reporting first before seeking a new line of credit. Once you have paid all the charge offs, settled all the collection items, and corrected all the errors, then you may want to get a secured loan to show your good faith in paying back a debt on time.
5. **Pay bills on time**- Open new accounts responsibly and pay them back on time. Paying 30 days or more late can lower the score 35%. If you are 30 days behind, bring your loan current as soon as possible or negotiate a payment arrangement with your creditor.
6. **Get a good credit mix**- Stay away from finance companies, payday lenders, sub-prime mortgage companies and title loan companies. Your score is affected by the type of credit mix you have. Dealing with predatory lenders will lower the score 10%. A good credit mix rule of thumb contains installment loans with banks and credit unions, auto loans, mortgages, and no more than 4 revolving lines of credit.
7. **Do not close paid off credit cards**- The FICO scoring system gives points for length of credit history. Closing a credit card that is 2 years old or older may drop the credit score 15%. Just keep the credit card open and paid off. If seeking a mortgage, wait until the mortgage lender states there is too much open available credit on the credit cards. Do not close them prior to seeking a mortgage.
8. **Get financial counseling or professional help**- Know what resources are available to you to assist in improving your credit situation. SAFE offers free Financial Counseling for its members. If you need debt management then seek professional assistance by contacting the **National Foundation for Credit Counseling** in your area and they will locate a consumer credit counseling agency for you.

Repairing damaged credit can be stressful and sometimes costly, but it can be done with patience and persistence. For other ways on improving your financial situation contact Donna Holmes, Financial Counselor at ext. 211.