

# How to Improve Your Credit Score



Disclaimer: We are not responsible for the outcome or results of your actions based on the information provided in this document.

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## Step 1: Pull your Credit Report

You need to see what the lenders are seeing. Each year, you are entitled to one free credit report provided by [annualcreditreport.com](http://annualcreditreport.com). They compile information from the three main credit bureaus (Experian, Equifax and TransUnion)

### Request your free credit report:

*Online:* Visit [AnnualCreditReport.com](http://AnnualCreditReport.com)

*By Phone:* Call 1-877-322-8228. Deaf and hard of hearing consumers can access the TTY service by calling 711 and referring the Relay Operator to 1-800-821-7232.

*By Mail:* Complete the Annual Credit Report Request Form (PDF, Download Adobe Reader) and mail it to:

Annual Credit Report Request Service  
PO Box 105281  
Atlanta, GA 30348-5281

## Step 2: Read Your Credit Report and Check for Accuracy

Check to make sure that there are no late payments incorrectly listed for any of your accounts and that the amounts owed for each of your open accounts is correct. If you find errors on any of your reports, dispute them with the credit bureau.

### Credit scores are broken into five major categories:

- Payment History (35%) Repaying account debts
- Credit Utilization (30%) How much debt you're carrying in relation to your credit limit
- Length of Credit History (15%) How long you've had active credit accounts
- Types of Credit (10%) Considers the variety of accounts you have
- Credit Inquiries (10%) Number of inquiries into your credit profile

## Step 3: Correct or Dispute Errors on your Credit Report

If you noticed any inaccurate or incorrect information on your credit report, do not neglect it, can hurt your score. To insure it gets corrected as quickly as possible, you will need to contact all credit bureaus via the Online Credit Report Dispute process through (Equifax, Experian & TransUnion) and they are responsible for correcting the mistake after being investigated under the Fair Credit Reporting Act. The investigation usually takes up to 30 days, unless they consider your dispute impractical.

In addition to providing your complete name and address, your dispute request should include:

- Clearly identified items you are disputing
- Facts and reasons to why you are disputing the information
- Request for deletion or correction

Afterwards, you would want to notify the appropriate creditor and information provider that you are filing for correction and also include copies of documents that support your position.

In most cases, the credit bureau will send you a free credit report upon registration of dispute.

**Disputing a Repossession:** This option can only be used if you have not been sued for the remainder balance from your creditor or if the repossession was more than 2 years ago. The dispute process will take up to 30 days. If the lender is unable to verify the validation of the repossession, then it can be removed from your credit report. In your Online letter to the credit bureaus, you would want to mention that a repossession can not be claimed unless all of the required notices were properly and timely delivered, and all the allowable redemption and cure time limits were adhered to. If the bureau can not provide copies of legal notices and proof of the commercially reasonable manner of the resale of the subject vehicle, then, you have won your case.

## **Step 4: Pay Your Bills On-time!**

If it requires you setting up payment reminders, do it! Paying on time counts the most in achieving a good credit score. Some banks offer this service through their Online banking. You might also want to consider making automatic payments every month to avoid missing a payment.

## **Step 5: Consider How Many Credit Accounts You Have**

The most drastic way to improve your credit is to reduce the amount of debt you owe. Even after you pay your balance down to zero, consider keeping those accounts open (lenders like to see a long history), and when you use them, pay them off again.

## **Step 6: Things You Can Do to Keep Your Credit Score High:**

- Pay your bills ahead of time or on-time!
- You can contact the credit bureaus and ask them to decline soft pulls on your credit.
- Keep some of your credit accounts open even if they don't have a balance.
- If you do carry a balance on a credit card, keep your credit utilization below 30%.
- Be careful because having too much credit available to you could count against you.
- Having no credit counts against you as well.

## FAQ's About your Credit Score:

# FAQs



### Question 1:

How long does “bad history” stay of your report?

### Answer 1:

Late Payments:	7 years from the late payment date
Foreclosures:	7 years
Collections:	7 years and 180 days from the date of delinquency on the original debt
Short Sales:	7 years
Bankruptcies:	10 years from the filing date; 7 years for Chapter 13 cases
Repossessions:	7 years
Judgments:	If paid, 7 years. If unpaid, potentially longer
Tax Liens:	7 years after they are paid
Charge-Offs:	7 years from the date the account was charged off

### Question 2:

How Do You Build Credit if You Don't Have Any?

### Answer 2:

Apply for a credit card, use it and pay it off regularly and on-time.

If your credit card application is denied, apply for a “secured credit card”. A lending institution which allows you to get a secured credit card will require you to keep a cash collateral deposit with that institution.

Usually that amount becomes the credit line for that account. For example, if you give the institution \$500 down, you can charge up to \$500. As you make payments each month, you will prove you are responsible and in time they may release the cash deposit and even increase your credit limit.

Have a primary account holder with good credit provide you with an additional credit card for you to use and help you build your credit.

### Question 3:

If my spouse had bad credit before we were married, will that affect my credit score?

### Answer 3:

A credit account held exclusively by your spouse, your child or whatever other relative can't affect your personal FICO, your credit score. However, in community-property states, all obligation obtained during a marriage is viewed as a joint debt and could affect your credit score.

#### Question 4:

What are the consequences of being a Co-Signer on a Loan?

#### Answer 4:

If you have good credit and you become a co-signer on a loan you may help the other borrower build their credit and have access to lower interest rates. Consumer loans, such as auto loans, personal loans, and credit cards, tend to consider the highest credit score available when finalizing the interest rate. If a primary borrower has someone with a higher credit score as a co-signer, it can significantly reduce payments and/or total interest charges. As the primary borrower builds their credit, the next time he or she applies for a loan, it may be easier to do so without a co-signer.

Co-signers are responsible: If the borrower fails to pay, the co-signer is responsible to pay the debt. Because the co-signer has a higher score, this person frequently has more to lose than the person receiving the loan. It is not only the score that can be impacted, but potentially a co-signer's assets. This is not a decision to be taken lightly.

Can impact relationships: Typically, co-signers are family members or close friends. If you agree to be a co-signer, there is a chance that you will take over the debt so only do so if you are willing to take the risk.

If the primary borrower fails to make payments, and the co-signer is also unable to make them, then both the primary borrower and the co-signer, will be in default and it will impact both credit scores and may make it difficult to qualify for future loans.

The co-signer also needs to consider his or her own financial situation as helping the other borrower out may prevent the co-signer from getting a loan that he/or she may need in the near future.

#### Question 5:

What is the perfect credit score?

#### Answer 5:

The perfect credit score is 850.

<b>General Credit Classification</b>	<b>Range</b>
Excellent	750 & above
Good	700-749
Fair	650-699
Poor	550-649
Bad	550 & below