



Financial Empowerment

Improving credit reports and scores

Your credit report shows information about how you have used credit, such as how much credit you have, how much of your available credit you are using, whether you have made your payments on time, and whether anyone has sent a loan you owe to a debt collector.

A credit score is a number that is used to predict how likely you are to pay back a loan. Your credit score starts with the information about you from your credit report. A mathematical prediction formula is applied to this information about you from your credit report. That prediction formula, which is called a scoring model, creates a number, and this number is your credit score.

To get and keep a good credit score:

- Pay all your loans on time
- Make sure information in your credit report is correct
- Don't use too much of the credit that is available to you

If you want to qualify for credit, focus on improving your reports and scores now. Use this worksheet to ensure you are focusing on the areas that matter most.



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if you plan to implement	Strategy for improving credit reports and scores	Other information or resources you need
	<p>Obtaining free credit reports annually</p> <p>Online at https://www.annualcreditreport.com</p> <p>By phone: Call (877) 322-8228</p> <p>By mail: Go to https://www.annualcreditreport.com to print the form</p> <p><i>(Use Tool 1: Getting your credit reports and scores)</i></p>	
	<p>Reviewing the credit reports for accuracy</p> <p><i>(Use Tool 3: Credit report review checklist)</i></p>	
	<p>Disputing errors found on the reports</p> <p><i>(Use Tool 3: Credit report review checklist)</i></p>	
	<p>Understanding Credit Scores</p> <p><i>(Use Tool 2: Getting your credit reports and scores)</i></p>	
	<p>Paying bills on-time is the most effective way to improve your credit reports and credit scores.</p>	
	<p>Keeping the amount of credit available that you use low. (While there is not an “official” published limit, many financial experts recommend keeping the amount of credit used between 25% and 30%³⁷ of the credit available.)</p>	
	<p>Keeping unused credit accounts open—credit card company may close account because of inactivity. (They are not allowed to charge fees if this occurs.)</p> <p>However, if your goal is paying down debt and you may be tempted to use the card, keeping the account open may not help you reach your goal.</p>	
	<p>Developing a plan to take care of outstanding judgments or liens</p>	

³⁷ For two examples, see <http://www.chicagotribune.com/classified/realestate/sns-201204201830--tms-->



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<http://www.experian.com/blogs/news/2012/09/24/rebuild-your-credit>.



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	Diversifying credit sources	
	Getting on payment plan for medical debt—ensure provider is not reporting balance as outstanding	
	Asking for a “good will” deletion for an unusual late payment	
	Negotiating with collection agency to “not report” in exchange for payment	
	Paying down old debt or debt in collections	
	<p>Using credit building products</p> <p>Secured credit cards. This can be a way to build a positive credit history. But because credit limits tend to be low with these cards, be sure to watch your credit utilization rate and not get too close to using the full limit.</p> <p>Credit building loans. Visit a bank or credit union to find out about these products. With some credit builder loans, you make monthly payments first, and receive the loan amount when it is paid off. This helps you avoid taking on debt while you build a positive payment record. These loans can be very effective in creating new history and will have a positive impact on your reports and scores.</p>	
	Other:	

Resources

FDIC.gov, Credit Repair:

<http://www.fdic.gov/consumers/consumer/ccc/repair.html>

Consumer.gov, Building a Better Credit Report:

<http://www.consumer.ftc.gov/articles/pdf-0032-building-a-better-credit-report.pdf>