



Building and Improving Your Credit Report

To get or keep good credit, follow these recommendations:

Monthly bills:

- Pay all of your bills on time. (Make payments automatic only if you know you'll have the money in your account.)
- Set up budget payments on utility bills so you pay the same amount each month.
- If you don't have a current monthly bill (like utilities or rent), you might have other bills, like a cell phone or a gas charge card, that is reported to a credit bureau monthly. Always pay these on time.

Credit Cards:

- If you have a credit card, don't use more than one-fourth of your credit limit. If your credit limit is \$1000, for example, don't charge more than \$250. If you want to raise your credit score, don't charge more than 5% of your credit limit each month, or \$50 in this example.
- Pay off credit card balances every month. (If you can't pay the whole balance, try to pay a little more than the minimum payment.)
- Pay the credit card bill before the statement due date. If you miss a payment, send it in within 30 days of the missed due date.

Building a credit history

- If you are shopping for a credit card or loan to build credit, ask about fees and be sure they report to one of the credit reporting bureaus.
- Don't apply for too much credit in a short time. Opening up many credit cards or loans in a short time lowers your credit score.
- If you have no credit history or past credit trouble, consider a secured credit card that reports to a credit reporting bureau. It requires a deposit that becomes the amount you can use. Example: put \$500 cash in the account for a \$500 credit limit. Remember to use no more than 25% of your credit limit – or \$125 in this case.
- Have a mix of different types of credit like a car loan and a credit card.
- Have a long credit history by establishing credit now and keeping accounts open, use credit cards for small purchases every few months to keep them open, plus pay off the balance as soon as possible.

Getting Help

- If you find a mistake on your credit report, write the credit bureau and explain the issue. By law, they have 30 days to respond and must remove inaccurate information. Remember, negative information, such as a paid off collection account, will still stay on your credit report for 7 years from the date you first missed a payment.
- Financial counseling services help set up budgets and get credit builder loans. Find a trustworthy, nonprofit counseling service at debtadvice.org.
- Be wary of debt settlement companies that charge a large fee up front. You or your creditors may never see your money again.
- If your credit card is lost or stolen report it immediately; most credit cards limit your loss to \$50 or less. (Getting money back from a lost debit or prepaid card depends on the card or your bank.)





Module C: APPLICATION PROCESS

Common errors to watch for:

- Using different names when applying for credit.
- When changing banks make sure all automatic payments are changed to new bank.
- Not notifying creditors of name changes due to marriage or divorce.
- If you pay off a judgment, be sure to get a receipt from the courthouse or government center where you pay. The judgment will no longer show up in your credit report, but might show up in other reports and public records.

[Your Name]
[Your Address]
[Your City, State, Zip Code]

[Date]

Complaint Department
[Company Name]
[Street Address]
[City, State, Zip Code]

Dear Sir or Madam:

I am writing to dispute the following information in my file. I have circled the items I dispute on the attached copy of the report I received.

This item [identify item(s) disputed by name of source, such as creditors, and identify type of item, such as credit account, collections, etc.] is [inaccurate or incomplete] because [describe what is inaccurate or incomplete and why]. I am requesting that the item be removed [or request another specific change] to correct the information.

Enclosed are copies of [use this sentence if applicable and describe any enclosed documentation, such as payment records and court documents] supporting my position. Please reinvestigate this [these] matter[s] and [delete or correct] the disputed item[s] as soon as possible.

Sincerely,
Your name

Enclosures: [List what you are enclosing.]

Source: <https://www.consumer.ftc.gov/articles/0384-sample-letter-disputing-errors-your-credit-report>

