

Take Control of Your Credit Score

How many of the following questions can answer with “Yes” when it comes to credit card habits? Do you pay late fees? Are you borrowing for items you once purchased with cash? Do you make sure you have credit cards with you before you go on a shopping spree? Do you juggle other bills in order to make the minimum payments on your credit cards? If you answer yes to any of these, you might want to take a close look at your credit card use habits.

We all know that old habits, especially those that have a negative impact on our lives, are hard to break. However, if you want to take control of your credit score, breaking these habits becomes essential.

Before you begin your efforts in this area, it may be helpful to find out your current credit score. There are 3 for-profit organizations that are most commonly used for this service. The Fair Credit Reporting Act requires each of these organizations to provide one free credit report per year. Additional reports require a nominal fee – typically less than \$10 each. You may obtain your free credit report at www.annualcreditreport.com or call 1-877-322-8228.

Once you have identified what your credit score is, you can take action to improve it. To do this, you have to establish “healthy” credit behaviors that boost your credit score. There are several basic steps you can take to develop “healthy” credit behaviors and manage your credit for efficiently.

- 1) Pay your bills on time. This has a significant impact on your score and is a step that you can achieve more easily if you have your bill paid automatically from your bank account. If that doesn't work for you, write your bill due dates on a calendar so that you have a reminder of when each bill is due.
- 2) Keep your credit utilization below 30 percent of available credit. Keep your credit cards paid off, but keep the account open especially if you have a high credit limit. Instead of opening new accounts, use the accounts that you already have more efficiently. Know what your credit card debt rate. The University of Illinois Extension service had published the “Credit Card Smarts” fact sheet series that includes information on how to identify and reduce credit card debt. (<http://web.extension.illinois.edu/creditcardsmarts>)
- 3) Show longevity. If you have an old account that has been paid off, keep that account open. The longer you stay with the same account, the better impact it has on your credit score – especially if you have managed the account effectively. As your credit history grows, you want to show stability in the accounts you have.
- 4) Be intentional about how and when you acquire new credit. It is unwise to open several accounts up in a short amount of time. If you are shopping around for a home or a new automobile, try to keep your credit applications confined to a 2-

week period of time. This will reduce the impact made on your credit score made by lenders checking on your financial references.

As you put these healthy credit behaviors in place, take another look at your credit report. Remember that you can obtain one free report from each of the following organizations: Equifax, Experian, and TransUnion. If you want to follow your credit score closely, you can rotate your request from a different organization every four months.

When you get your credit report, review the information it provides very closely. Make sure your social security number is correct, check the spelling of your name, and verify the accounts and their related balances. The numbers should match. Lenders or companies that have requested your credit score will be listed on the report. There should not be any lender or company listed that you are not already aware of.

If you find a discrepancy in your credit report, the Federal Trade Commission (FTC) recommends specific steps you should take to address them. The first step is to inform the credit reporting company you obtained your report from in writing what information you believe is incorrect. In your letter, include your complete name and address, the details of what you disagree with and a formal request to have the information removed from your credit report. Provide copies (not the originals) of printed documents to support your claim.

The second step is to inform the reporting company. In other words, you need to write a letter to the lender or company that reported the information to the credit reporting organization. Again, include your complete name and address, the specific information you feel is incorrect, and copies (not originals) of documents that support your claim.

There are sample letters for credit report disputes you can use as a guide found on the FTC website at: www.consumer.ftc.gov/articles/0151-disputing-errors-credit-report.

April is financial literacy month. One of the purposes of financial literacy month is to increase consumer knowledge about what it takes to be financially secure. A significant part of that security lies in managing credit successfully by establishing and maintaining healthy credit behaviors.

For additional information about credit management, you can access the publication "Know Your Credit" written by Valeria Edwards, Johnson County FCS K-State Research and Extension at www.ksre.ksu.edu/bookstore/pubs/MF3081.pdf.

Or contact me at the Geary County Extension Office 785-238-4161 for more information on personal financial management. Until next time, keep living resourcefully!