



To Your Credit!

Take Action to Improve Your Credit Report and Score

How do I build good credit?

Building your credit takes time. Committing to follow a simple process can prepare you for financial success. This can be done by understanding your credit score, reviewing your credit report, talking with creditors, keeping your credit cards under control, knowing when to apply for new credit and when you shouldn't, automating your bill payments, and sticking to your plan.

These tips are simple but effective:

1. Pay all your bills on time, every time.
2. Keep your credit balances below 30% of your available credit limit.
3. Keep accounts open even if you are not currently using them. Length of credit history is a positive factor towards your credit score.
4. Don't apply for new credit unless it's part of your plan to build your credit history.
5. Utilize more than one type of credit such as revolving (credit cards), installment loans (auto loan), and a mortgage for example.
6. Be very cautious co-signing for credit. You are responsible if the borrower defaults.

Why do I need a copy of my credit report?

Your credit report has information that affects many aspects of your life.

It will give you a snapshot of your current financial health: mortgage debt, installment debt (i.e. car loans), and revolving accounts such as credit cards. It will only list debt related to accounts with financial institutions that provide information to the credit reporting bureaus. Note that you will not receive a credit score with your free credit report.

Reviewing your reports enables you to monitor them for mistakes and identity theft. You have the right to one free copy from each of the credit bureaus once a year.

Visit www.annualcreditreport.com or call 1-877-322-8228.

It is recommended that you request a copy of your credit report at three different times during a 12 month period. For example, you can request a copy from Trans Union in January, from Equifax in May and Experian in September.

Warning—The only website that is authorized to fill orders for the free annual credit report you are entitled to under law is:

www.annualcreditreport.com.

In the third quarter of 2013 household debt increased 2.1 percent, or \$241 billion, to \$11.52 trillion.



Consumer Tip:

Be cautious when increasing debt. Saving in advance to purchase items costs much less than using credit to finance them.



Credit Scores

A credit score is a summary of your credit risk. A higher credit score generally means that you are less of a risk. With a higher score you are more likely to get credit or insurance and pay less for it. The most commonly used credit scores are provided by Fair Isaac Corporation and are known as FICO® scores. They range from 300 (the worst) to 850 (the best). Some lenders are now using the VantageScore model. A VantageScore ranges from 501 to 990 and also uses a letter grade.

A credit score doesn't come with your free credit report. You must purchase your score unless you've applied for credit and the lender is willing to share their score with you. The FICO Score has a different name at each of the credit reporting agencies. Keep in mind that your credit score changes day to day as you make payments or increase balances. It is more productive to focus on improving or correcting your credit report as then a positive score will follow.

When lenders request your credit score, they also receive a list of the four most significant reasons your score is not higher. Although lenders do not have to tell you your score, they should share the reasons listed on the report with you.

Here are a few examples:

- ◆ Amount owed on accounts is too high.
- ◆ Too many bank or national revolving accounts.
- ◆ Too many accounts opened in the last 12 months.
- ◆ Length of credit history is too short.
- ◆ Serious delinquency, derogatory public record, or collection.
- ◆ Too few accounts with recent payment information.

Updated: 01/29/2016

Free financial education is available to assist consumers in understanding the process of building and maintaining their credit.

MSU Extension's

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