

IMPROVING CREDIT HISTORY

You can start improving your credit situation today.

These days, having good credit is very important for many reasons. In addition to making it easier to purchase things you need, your credit history can also have an effect on other areas of your life. For example, many insurance companies study your credit when deciding whether to accept you as a policyholder and what to charge you. A growing number of companies scrutinize the credit reports of prospective employees, too.

If your credit isn't as healthy as you would like, there are steps you can take to improve it. That's why FORUM Credit Union created this kit. Our goal is to help you better understand how credit works and practical ways you can improve your own situation. Inside, you'll find a variety of helpful resources and suggested sources for more information. And don't forget that answers to your questions are as close as your nearby FORUM location.

Financial Resources

FORUM Credit Union offers products and services for every aspect of your financial life. Some of the products we offer that can help you with credit issues include:

Savings Accounts

To put money away for retirement, a rainy day, or any good reason, consider one of our many savings accounts.

Home Equity Credit

Borrowing against the equity (ownership) you've built up in your home is convenient and affordable, and may be a better choice than using a credit card or store financing.

Personal Loans

Our personal loan program is a simple way to borrow a smaller amount of money for a wide variety of needs. Repaying a personal loan is a great way to establish or improve your credit history, too.

MoneyLine

Our overdraft protection line of credit protects you from bounced checks and fees related to overdrafts. If you don't use it, there is no charge.

Vehicle Loans

If you're planning to buy a car or truck, look to us for easy, affordable financing. In addition to traditional fixed- and variable-rate vehicle loans with terms of up to 72 months, we offer innovative Auto Equity Loans, which finance your purchase with the equity in your home.

NEED TO KNOW

What makes and breaks your credit history.

Most people know that credit is a term for borrowing money to cover the cost of a purchase or another need. While most of us have heard of credit ratings and credit scores, we may not be completely familiar with what they are or how they affect our ability to get credit.

Your Credit History And Report

Simply put, your credit history is how you've used credit in the past – and your credit report is a way that lenders keep track of your credit history. When you have a loan, credit card, or other type of credit account, the lender (also known as a creditor) pays attention to when and how you make payments, and then shares that information with what's known as a credit reporting agency. (In the past, credit reporting agencies were sometimes called credit bureaus.)

The credit reporting agency collects all the information your creditors provide, and summarizes it in a document called a credit report. When you apply for another loan or type of credit, the creditor looks at your credit report to see how well you've paid other creditors. If you have a solid record of making payments on time, and your income shows that you can afford to handle more debt, you'll probably have no trouble being approved.

But if the prospective creditor notices that you've missed payments or made them late – or if a creditor had to turn your account over to a collection agency or obtain a court judgment – the creditor may not be willing to extend credit to you. You probably wouldn't lend money to someone if you didn't think he or she would pay you back – and lenders react the same way to a negative credit history.

Any negative information about your credit history, from late payments to court judgments to bankruptcies, will remain on your credit report for at least seven years. So even if your current behavior with credit is good, past mistakes may still create problems for you.

Your Credit Score

Today, many lenders use what are known as credit scores to decide whether to extend credit. A credit score is a three-digit number that provides a quick summary of the information in your credit report. The higher that number, the more confident the lender will be that you'll pay what you owe.

Credit Score Ratings

- Excellent: over 750
- Very Good: 720 to 750
- Acceptable: 660 to 720
- Uncertain: 620 to 660
- Risky: less than 620

Things That Improve Your Credit Score

Because negative information stays in your credit report for a long time, it can take a while to improve your credit score. But if you make the right moves, over time your score will increase, and you'll find it easier to obtain credit. What can you do?

Pay bills on time. That's the most important thing you can do, because a solid history of making payments on time increases credit scores.

Manage your debt. Don't borrow more than you can afford to pay back, and keep credit card balances under control. If creditors see that you aren't asking for more credit than you should, they'll be more likely to give you a positive answer.

NEED TO KNOW (continued)

Check your report annually. You can receive a free copy of your credit report from each of the national credit reporting agencies once a year by calling 877.322.8228 or visiting www.annualcreditreport.com. Review them to make sure all of the information is accurate. If you find errors, follow the instructions that come with the report to correct the error.

Things That Don't Help Your Score

Many people believe that they can improve their credit scores by trying to fool the credit reporting agencies about their use of credit. However, tricks and other strategies usually don't work, because creditors recognize efforts like these:

Shifting debt. Moving debt among accounts or credit cards, instead of paying it off, will bring your score down.

Extra accounts. Opening accounts you don't need to increase your available credit will actually hurt your ability to get credit when you need it.

Closing accounts. Closing one account to get approved for another rarely works. In fact, closing some of your accounts may actually reduce your score, because it will appear that you cannot handle the credit you already have.

National Credit Reporting Agencies

You can obtain copies of your credit report from all three of these national agencies when you've been denied credit. In addition, you can receive a free report from each once a year by calling 877.322.8228, visiting www.annualcreditreport.com, or contacting each individually.

Equifax

Customer Assistance Center
POB 740256
Atlanta, GA 30374-0256
800.759.5979
www.csccredit.com

TransUnion

Consumer Relations Center
POB 2000
Chester, PA 19022-2000
800.916.8800
www.TransUnion.com

TRW/Experian

National Consumer Center
POB 2104
Allen, TX 75002-2104
888.397.3742
www.experian.com

Credit Reporting Agencies' Fraud Departments

Equifax Consumer Fraud Division — 888.766.0008
TransUnion Fraud Victim Assistance Department — 800.680.7289
National Opt-Out (prescreens) — 888.567.8688

Government Agencies

Federal Trade Commission (FTC) — 877.438.4338
US Postal Inspection Service — 800.275.8777
Social Security Administration — 800.772.1213

Report Check Fraud

Check Rite — 800.766.2748
Chex Systems — 800.328.5121
NPC — 800.526.5380
Tele-Check — 800.366.2425

STEPS TO TAKE

Here are some steps you'll need to take.

If you're concerned about your ability to receive credit, or if you already know that you have problems with your credit, there are steps you can take to improve your credit worthiness.

Get An Accurate Picture

The first step is to see how creditors are viewing your credit, and the best way to do that is to get copies of your current credit reports. Most creditors work with one of the three national credit reporting agencies – Equifax, TransUnion, or TRW/Experian – and contact information for each appears under “National Credit Reporting Agencies” on the “Need to Know (continued)” page in this kit.

Under federal consumer protection laws, you can receive a free copy of your credit report from each once a year by calling 877.322.8228 or visiting www.annualcreditreport.com. You can also request a free copy from a credit reporting agency anytime a creditor uses their information to deny you credit.

Once you receive the reports, review them to make sure all of the information is accurate. If you find errors (such as credit cards you don't have or a debt that appears to be unpaid even though you've paid in full), follow the instructions that come with the report to correct the error.

Take Control Of Your Finances

Once you have an accurate picture of your situation, develop a budget to ensure that you're not spending more money than you have. You may have to give up or cut back on some things (such as eating out or going to the movies), but you'll gradually be able to improve your situation. Most people do not get into credit problems overnight, and it takes a while to recover from them, too.

Repay What You Owe

While it can be a challenge to dig your way out of debt, creditors understand that people can get into tight spots. If someone who owes money works with the creditor to pay it off, the creditor will view that person far more favorably than someone who stops paying and hopes the debt will go away, or declares bankruptcy in the hopes that the creditor will write it off.

Don't Get Deeper In Debt

If your finances are headed in the right direction, don't make them worse by digging yourself deeper into debt. Now is probably not the right time to buy an expensive new car, add to your wardrobe, take a cruise, or buy a big-screen TV. Be sure to avoid impulse purchases that give you brief moments of satisfaction and long years of credit payments.

Start Saving

If you don't already have checking and savings accounts, open them and begin to put some money aside. Saving just a little each month can add up, and it shows creditors that you're serious about improving your financial condition. FORUM has a variety of checking and savings accounts that are ideal for this purpose.

Start Using Credit Carefully

Once you've paid off most of what you owe, show creditors that you have learned how to use credit wisely by taking out a small loan for a household need and then paying it back on time. FORUM has a Personal Loan program that's ideal for this purpose.

Make Larger Down Payments

When you do need to borrow money for a larger purchase, such as a vehicle, making a larger down payment will increase your ability to obtain credit and may even allow you to receive a better rate and more favorable loan terms.

STEPS TO TAKE (continued)

Need Help Restoring Your Credit?

If your credit problems seem to be out of your control, consider working with a professional credit counselor. Many credit counselors can help you work with your creditors to establish payment plans that will get you back on track while avoiding bankruptcy.

Be careful, though, because there are some scam artists who prey on people with financial problems. For example, some so-called credit repair clinics will tell you that they can eliminate your debts or have unfavorable information removed from your credit report. Many will charge you costly fees to handle simple steps you could do on your own for nothing.

Not-for-profit credit counseling agencies are the right choice for most people. Many are funded by creditors to help everyday people who are facing credit challenges. Before deciding to work with any credit counseling agency, check with the Better Business Bureau to make sure they're legitimate and will do what they say. It's also a good idea to see if they are accredited by the National Foundation for Credit Counseling, an association of not-for-profit counseling agencies that sets standards for proper procedures.

Develop A Budget

While trying to improve your credit history, how can you make sure that you're not spending more than you should? A good way to start is by developing a budget that covers all of your expenses. You can write down every penny that you spend for a month and enter it into a chart like the one that appears below. That way, you'll have an accurate picture of your spending.

EXPENSES

Rent/Mortgage: _____	Daycare: _____	Doctor Bills: _____
Insurance: _____	Camps: _____	Dental: _____
Property Taxes: _____	Kids Lunches: _____	Eye Care: _____
Gas: _____	Team Fees: _____	Repairs: _____
Electric: _____	School Photos: _____	Gifts/Cards: _____
Phone: _____	Allowances: _____	Cleaning Supply: _____
Cable: _____	Office Supplies: _____	Clothing: _____
Water: _____	Bank Fees: _____	Barber: _____
Trash: _____	Credit Cards: _____	Nails: _____
Sewer: _____	Bank Loans: _____	Pet Care: _____
Internet: _____	Auto Loans: _____	Magazines: _____
Cell Phone: _____	Auto Gas: _____	Newspaper: _____
Groceries: _____	Auto Insurance: _____	Health Ins: _____
Eating Out: _____	Tires/oil/maint: _____	Life Ins: _____
Pocket Cash: _____	Tolls: _____	
Total Expenses: _____		

INCOME

Wages & Salary: _____	Business Income: _____	Child Support: _____
Rental Income: _____	Pension: _____	Alimony: _____
Investments/ Interest: _____		
Total Income: _____		

Looking for some expert advice about improving your credit history?

Improving or reestablishing credit can be a complicated, time-consuming process, but it's more effective when you understand how everything works and take the right steps. To help you find answers to your questions and identify the best strategies for your situation, we've listed some websites and books that we've found to be helpful and informative.

Helpful Websites

National Foundation for Credit Counseling — www.nfcc.org

A source of general advice and lists of local agencies that meet their standards.

Momentive Consumer Credit Counseling Service — www.momentive.org

An Indiana-based not-for-profit agency that helps consumers with credit problems.

Bankrate — www.bankrate.com

Articles and information about credit and personal finance.

National Endowment for Financial Education — www.smartaboutmoney.org

An excellent source of personal information.

The Dollar Stretcher — www.stretcher.com

An archive of advice and ideas from everyday people.

Budget Advice — www.budgetadvice.com

If you need help with basic budgeting, you'll find good ideas here.

Saving Advice — www.savingadvice.com

Learn how to make the right choices when saving for the future.

My Money — www.mymoney.gov

This U.S. government site teaches the basics about financial education.

Books

Credit Repair Kit for Dummies by Stephen R. Bucci

Your Credit Score: How to Fix, Improve, and Protect the 3-Digit Number that Shapes Your Financial Future by Liz Pulliam Weston

Complete Credit Repair Kit by Brette McWhorter Sember

Credit Repair Handbook: Everything You Need to Know to Maintain, Rebuild, and Protect Your Credit by John Ventura

Managing Debt for Dummies by John Ventura and Mary Reed

Ultimate Credit Handbook: Cut Your Debt and Have a Lifetime of Great Credit by Gerri Detweiler