

UNDERSTANDING CREDIT and HOW TO CREATE A GOOD CREDIT HISTORY

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[What Is Your Credit History?](#)

When you ask for a loan or apply for a credit card, lenders look at your "credit history" to see how reliable you have been in repaying loans or credit. If you've never been granted credit, such as a credit card, store account, car loan or mortgage, you may not have a credit history.

[Good Credit Versus Negative Credit.](#)

If you have had credit cards or loans and made all required payments on time, you probably have a good credit history. A positive credit record results from using credit wisely.

Good credit happens when you:

- Pay bills on time.
- Pay more than the minimum payment.
- Do not charge the maximum on accounts.
- Do not have an excess number of credit cards or loans.
- Have variety of credit such as mortgage, credit cards, and car loans.

Negative credit happens when you:

- Pay bills late.
- Carry large balances on accounts.
- Have too many credit cards with large balances.
- Have accounts that have been referred to a collection agency.
- Have a bankruptcy, foreclosure or court ordered garnishment.

[What Is A Credit Report?](#)

Your credit report is a record of your credit activities. It lists credit card accounts or loans you may have, the balances, and how you make your payments. It also shows if any action has been taken against you because of unpaid bills.

The three (3) credit reporting agencies collect consumers' account information sent to them from lenders such as banks, credit unions, finance companies and stores, and report this into consumers' credit reports and provide it to lenders when you apply for a new credit card or loan. The credit reporting agencies do not make lending decisions. When you apply for a credit card or loan, lenders use your credit report to decide if you are responsible enough to handle additional credit.

Your credit report contains:

- Payment history on open or closed accounts.
- Balance on accounts and their credit limits.
- Information from public records (bankruptcy, foreclosure, garnishments).
- Overdue child support payments.
- The names of everyone who recently asked for a copy (inquiries).

What your credit report DOES NOT contain is:

- Information about your race, religion, political party, medical history, lifestyle, background or criminal record.

Why should you care about what is in your credit report?

Because it might contain incorrect information that could negatively effect your chance to:

- Buy a home or rent an apartment.
- Get a job.
- Set up telephone, gas and electric, water or heating oil accounts.
- Finance a car.
- Borrow money or obtain a credit or store department card.
- Qualify for good insurance rates.
- Buy "big ticket" items with credit such as furniture, electronics or appliances.

Your Rights and How To Get Your Credit Report.

Under the Fair Credit Reporting Act, both the consumer reporting company and the information provider (that is, the person, company, or organization that provides information about you to a consumer reporting company) are responsible for correcting inaccurate or incomplete information in your report.

You have a right to get a free copy of your credit reports every 12 months from the three credit reporting agencies. When you receive it, carefully check all the information, including all account numbers and payment records. Make sure that old accounts you closed are listed properly with the words "closed at the consumer's request."

You have the right to correct errors in your credit report. Enclosed with your credit report will be a form or letter explaining what to do if you find inaccurate information or items you do not agree with. Always dispute inaccurate information. After you begin the dispute process, the credit reporting agency must check with the source of the information and send you an update. It must respond to your dispute in a timely way. In most cases, you should receive a response in 30 to 60 days.

To get your free annual credit reports you can visit website <http://www.annualcreditreport.com> or by contact each of the credit reporting agencies directly at:

Equifax

P.O. Box 105496
Atlanta, GA 30348
www.equifax.com
1-800-685-1111

Experian

P.O. Box 9556
Allen, TX 75013
www.experian.com
1-888-397-3742

TransUnion

P.O. Box 1000
Chester, PA 19022
www.transunion.com
1-800-888-4213

You will need to supply the credit bureaus with information so they can identify you. This usually includes your:

- Full name, including your middle initial and suffix (Jr., Sr. or III).
- Current address and previous addresses for two to five years.
- Phone numbers.
- Social Security number.
- Date of birth.
- Current employer.

In addition, your credit report is free if you've been denied credit in the last 60 days, based on the information contained in your credit report, or you are a victim of fraud. If you are a victim of identity theft, please click here to learn more:

<http://www.ftc.gov/bcp/edu/microsites/idtheft/>

Credit Scores

A credit score is a number that helps lenders and others predict how likely you are to make your credit payments on time. Each score is based on the information in your credit report.

The Fair Credit Reporting Act states that you may request a credit score from consumer reporting agencies, but you will have to pay for it. In some mortgage transactions, you will receive credit score information for free from the mortgage lender.

Why Was My Credit Application Denied?

Many people who apply for credit are denied. If this happens, the lender must tell you why your application was denied. In most cases, the denial could be because of one or more of the following reasons:

1. You have no credit history.

If you've never had credit, if you've just begun to use credit or if you haven't used credit recently, lenders may deny you credit because you do not have a credit history. Without this information, lenders are less able to determine if you are a good credit risk.

2. You have too much outstanding credit.

Lenders are reluctant to give you new credit if you already have a large amount of outstanding credit. When lenders evaluate your application, they consider your income, types of credit, current credit limits and payment history to decide how much debt you can pay. Lenders often imagine the worst case scenario-if you suddenly used all your credit accounts up to the limits, would your income cover the payments? If the answer is no, your application might be rejected.

3. You have a record of credit problems.

There are late payments listed on one or several accounts (after 30-days); you have a bankruptcy, foreclosure or credit judgment filed against you; and/or an account or accounts referred to collection agencies or unpaid accounts.

4. You are a victim of fraud.

A dishonest person may try to set up credit in your name. Some people only find out they are victims when they apply for credit and are denied. You are not responsible, but it will be hard to prove you are a good credit risk until you clear your name. One way to guard against this kind of fraud is to check your credit report at least once a year. If you find any accounts you do not recognize, report it to the credit reporting agencies immediately.

How can I establish good credit?

Below are several ways to starting establishing good credit. If you are successful in establishing an account, and use it responsibly, you are building a good credit history.

1. Ask local companies for credit. Try your bank, credit union or a local department store. But make sure that the company sends the information on your credit account to one or more credit reporting agencies so that it will help you establish a credit history. There are many companies that offer unsecured credit cards and loans for people with no credit history or damaged credit. These can be expensive credit options with low credit lines, high interest rates, up-front processing fees, etc. If you are considering one of these cards, shop around among lenders. Compare fees and interest rates. Because the fees often equal the credit limit on these cards, you may have no available credit until you pay the fees.
2. Find a co-signer. Ask a relative or friend with good credit to co-sign your credit application. A co-signer promises to pay if you don't. So remember, if you do not make the payments, the co-signer will be responsible for the loan. By failing to pay on time, you will damage your relative's or friend's credit.
3. Look into a secured credit card. A secured credit card issued by a bank or credit union is backed by money you deposit in an account. Shop around to find a good deal. You can compare current information about secured cards at <http://www.bankrate.com>. Before you apply, make sure the card issuer will send the information on your credit account to the credit reporting agencies. Look for a secured card with a low annual fee, no up-front application, processing or membership fee and an interest-bearing account for your deposit.
4. Reloadable credit cards. This pre-funded card allows you to spend only what money you load on it and you can typically get it without a credit check or bank account. Before you buy, make sure to read the fine print and know the fees associated with owning and using reloadable cards. You could pay monthly service fees, transaction or cancellation fees all of which reduce the balance available to charge on your card. Unfortunately, there is very limited reporting to credit reporting agencies with use of this card. Ask if your use is reported to one or more of the credit reporting agencies so that it will help you establish credit.

Credit Card "Optional" Services

Your credit card company may offer you services and products for a fee. These services are optional and you do not have to accept them. If you say no to optional offers, it should not affect your application for or maintaining a credit card.

- Credit insurance. A service that helps pays your monthly minimum payments for a short time if you become ill or disabled.
- Credit monitoring. A service that charges to watch your credit report and let you know about any negative changes.

Where to complain?

If you are experiencing problems and need help, please contact our office at 330-643-2879 or you can file your complaint in writing, see "How to File a Complaint."