

# STEP BY STEP CREDIT BUILDING



**FICO scores, credit reports, Vantage score—we get it. Credit can be confusing and even a little scary. But it’s also essential for many of your financial goals.**

Unfortunately, there is no magic formula or method that can immediately fix or repair credit, but everyone can take steps to start building better credit, and with time and commitment to the process, you will be able to get your credit score where you want it to be for your goals!

**Here are 10 of the most important steps you can take to start building your credit today!**

## **STEP 1 CHECK YOUR CREDIT REPORT ON A REGULAR BASIS**

Your credit is more than a score. Your credit report, which shows all the credit and debt attached to your name, is actually more important than the score! One of the easiest ways to build your credit is to know where you stand, which means you should access and review your credit report at least once a year. More than one-third of Americans do not check their credit reports regularly, but by law, you are entitled to a free copy of your report each year from all three major credit bureaus—Equifax, Experian, and TransUnion. You can obtain this at [annualcreditreport.com](https://www.annualcreditreport.com).

## **STEP 2 DISPUTE CREDIT REPORT ERRORS IMMEDIATELY**

It’s estimated that 20% of credit reports contain errors, but if you’re among the 16% of Americans who never check their credit reports at all, you could be missing out on an easy way to boost your score overnight. According to the Federal Trade Commission, 20% of consumers who dispute credit report errors see their scores increase as a result, so if you spot a mistake, be sure to contest it at once. Credit bureaus are required by law to respond to disputes within 30 days, or otherwise remove the data in question, so you have nothing to lose by making your case.

### STEP 3

#### PAY YOUR BILLS IN FULL IN TIME WHENEVER POSSIBLE

Your payment history plays a crucial role in determining your credit score, and if you make a habit of paying your bills on time and in full month after month, you can build up your credit sooner than you'd think. While there are other factors that come into play when calculating your credit score, your payment history carries more weight than any other aspect, so it pays to get into a good bill-paying pattern early on.

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### STEP 5

#### START PAYING DOWN EXISTING DEBT

Paying off existing debt can help your credit in several ways. First, if you start making timely payments, it'll boost your payment history. Additionally, the more debt you eliminate, the lower your credit utilization ratio will fall. An effective way to approach your present debt is to tackle those balances that carry the highest interest rates first and then work your way downward. Another option is to transfer your existing high-interest debts to a credit card at a lower rate

### STEP 6

#### GET A SECURED CREDIT CARD

A secured credit card differs from a regular credit card in that it requires you to keep a certain amount of money in a linked savings account as collateral. Getting approved for a secured credit card is easy, even if you are not starting out with excellent credit, because your lender is taking on significantly less risk.

But if you use that card and pay your bills on time, they'll count toward your payment history just as regular credit card payments would. Hope Credit Union has a great secured credit card to apply for anyone just starting out!



## STEP 7

### BECOME AN AUTHORIZED USER ON SOMEONE ELSE'S CARD

Getting your name added to an established account can work wonders for your credit score, even if you do not use that card yourself. When you become an authorized user on someone else's card, that person's credit limit gets added to yours, which can help bring your credit utilization ratio down. Furthermore, becoming an authorized user on another card can help you beef up your credit history if you are young and have not had time to establish a solid one of your own.

## STEP 8

### TAKE OUT A CREDIT BUILDING LOAN

As the name implies, credit-builder loans are designed to help folks with poor credit improve their financial standing. You can open one through a credit union or bank, and once you do, the amount you borrow will be deposited into a savings account that you cannot touch until your loan is repaid in full.

While a credit-builder loan will not give you immediate access to extra cash, your payments will be reported to all the major credit bureaus, which means you easily can boost your credit by sticking to the terms of your loan. Both Hope Credit Union and BankPlus have great credit building loan programs!

## STEP 9

### AVOID OPENING TOO MANY ACCOUNTS AT ONCE

Some people shy away from checking their credit reports for fear that doing so will lower their scores. But while a soft inquiry, such as requesting your own credit report, will not damage your score, many hard inquiries could impact it negatively. Any time a lender delves into your credit history, it is considered a hard inquiry, and having too many at once can hurt you. That is why it is best to open new accounts slowly over time.

## STEP 10

### KEEP YOUR ACCOUNTS OPEN AS LONG AS POSSIBLE

Unlike your payment history, which speaks to your ability to pay your bills in a timely fashion, your credit history represents the amount of time you have had active accounts. Closing an old credit card, therefore, can hurt your credit history, but more so than that, it can impact your credit utilization ratio by lowering your overall credit limit. Unless you have a pressing reason to close an old account (say, the introduction of a high annual fee), you are better off keeping it open and being smart about how you use it.



# GIVE YOURSELF CREDIT

Your credit score is a key part of your financial security. Not only can a good score help lock in the best interest rate on a home or car, your credit history can impact other financial goals, from security clearance to employment opportunities.



## Make these five moves to help establish good credit.



### 1. UNDERSTAND THE FACTORS THAT IMPACT YOUR CREDIT SCORE. THE TOP THREE FACTORS ARE:

- Payment history
- Length of credit history
- Amount of credit owed versus what's available



### 3. STICK TO YOUR BUDGET TO AVOID:

- Overspending
- Unnecessary debt



### 4. CHECK YOUR CREDIT REPORT YEARLY TO:

- Look for discrepancies
- Monitor your standing



### 2. LOOK FOR OPPORTUNITIES TO ESTABLISH CREDIT.

- Secured credit card
- Secured personal loan
- Authorized user on a family member's credit or retail card
- Student loan



### 5. POTENTIAL DANGERS:

- Cosigning for someone else's debt—you're just as liable
- Maxing out credit cards
- Opening new accounts frequently