



Consumer Financial
Protection Bureau

To get and keep a good credit score, pay attention to your credit report.

Your credit report shows information about how you have used credit, such as how much credit you have, how much of your available credit you are using, whether you have made your payments on time, and whether anyone has sent a loan you owe to a debt collector.

A credit score is a number that is used to predict how likely you are to pay back a loan. Your credit score starts with the information about you from your credit report. A mathematical prediction formula is applied to this information about you from your credit report. That prediction formula, which is called a scoring model, creates a number which is your credit score. You probably have numerous credit scores.

Credit scores are used by companies to make decisions such as whether to approve a mortgage at a certain rate or issue a credit card. Different lenders use different scoring formulas so your score can vary from lender to lender. Usually a higher score makes it easier to qualify for a loan and means a better rate of interest. Most scores range from 300-850, although there is one scoring method that uses a range from 501-990.

To get and keep a good credit score –

- Pay all your loans on time.
- Make sure information in your credit report is correct.
- Don't use too much of the credit that is available to you.

STEPS TO GET AND KEEP A GOOD CREDIT SCORE

PAY YOUR BILLS ON TIME

Pay your bills on time, every time. One way to make sure your payments are on time is to set up automatic payments at the creditor's website or from your bank's online site. But, you have to watch your bank balance to make sure you have enough money in your account to cover the payments. Also, don't just pay the minimum amount if you can afford to pay more, because it will take you much longer to pay off the debt if you only pay the minimum amount.

Tip: People with the best credit scores usually are those who pay off their credit cards in full every month.

DON'T GET CLOSE TO YOUR CREDIT LIMIT

Credit scoring models look at how close you are to being "maxed out," because the formulas predict that people who are using too much of their available credit may have future troubles with repayment. If you use too much of your total credit lines, you can hurt your credit score. Experts advise keeping your use of credit at no more than 30% or less of your total credit limit.

Tip: If you close some credit card accounts and put most or all of your credit card balances onto one card, it may hurt your credit score. That's because it will probably mean that you are using a high percentage of your total credit limit.

DON'T APPLY FOR A LOT OF NEW CREDIT IN A SHORT TIME, ESPECIALLY IF YOU ARE GETTING READY TO GET A MORTGAGE OR A CAR LOAN

Your credit score may decline if you have too many credit accounts, and if you apply for or open a lot of new accounts, such as several credit cards, in a short time. If you are planning to take out a big loan for a car or a house, be particularly careful not to apply for or open many new credit accounts within a short period before applying for the loan because doing so may affect your score. However when you request your own credit report, or when your creditors check your credit report, those requests to see your credit report should not hurt your score.

Tip: Opening new credit card accounts frequently to get the promotional rate or store discount will show up on your credit report as lots of new credit accounts, which is likely to hurt your credit score.

THE LONGER YOUR CREDIT HISTORY, THE BETTER

Credit scores are based on experience over time. The more experience you have with getting and paying for your credit, the more information there is to determine whether you are a good credit risk.

GET YOUR FREE CREDIT REPORT EVERY YEAR

Get free copies of your credit report from each of the big three consumer reporting agencies every year. If the information about you in the credit reports of the three large consumer reporting agencies is different, your credit score from each of the agencies will be different.

Online: You can order your credit report at www.annualcreditreport.com. Beware - some other sites that use the word "free" may charge you for another service in order to get your credit report. www.annualcreditreport.com really is free.

By phone: You can also order your free credit report by calling 877-322-8228.

By mail: To order free reports by mail, get the Annual Credit Report Request Form at www.ftc.gov/bcp/edu/resources/forms/requestformfinal.pdf and mail it to: Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281.

Tip: You don't have to buy your credit score. The information you receive from the agencies is adequate. If you do buy a score, it is likely that the score the lender buys will be different from the score that you buy.

READ YOUR CREDIT REPORT AND DISPUTE ANY ERRORS

If you find something wrong with your credit report, write to both the consumer reporting agency and the creditor that provided the information, if applicable, to tell them what you think is wrong and why. Include copies of any documents that support your position. When a consumer disputes credit report information, the agency and the creditor generally have to investigate the dispute and correct inaccurate information. For more information, please visit the FTC site www.ftc.gov/bcp/edu/pubs/consumer/credit/cre03.shtm.

AVOID PAYING UPFRONT FEES TO "REPAIR" YOUR NEGATIVE CREDIT HISTORY

There are a lot of places that promise to "repair" or "fix" your credit for an upfront fee but no one can remove negative information, such as late payments, from a credit report if it is accurate. You can only get your credit report fixed if it contains errors and you can do that on your own (see #6). According to the Federal Trade Commission, some companies who claim they can help you may get you in trouble by telling you to do something that could be illegal, such as setting up a false identity to hide your credit history from your creditors.

BE PROACTIVE IN DEALING WITH CREDIT

If you are having trouble paying creditors on time, the sooner you talk to your creditors the more likely it is you can work something out with them, such as a temporary payment plan. If you need help, look locally for a credit counselor but check to make sure they are trustworthy. If you are having trouble with your mortgage, there is help available through the government's Making Home Affordable program, www.mha.gov, or the HOPE Hotline – 888-995-HOPE. If you start to get debt collection mail or calls from someone you've never heard of, it could be that one of your debts was sold to a debt collector, or it could be a case of identity theft. Ignoring the problem usually makes it worse.

The Federal Trade Commission's "Building a Better Credit Report" (www.ftc.gov/bcp/edu/pubs/consumer/credit/cre03.shtm) has information on correcting errors in your report, tips on dealing with debt and avoiding scams—and more.