

Credit Building and Repair

Everything you need to know about building credit from the ground up, or fixing your credit when something goes wrong

Welcome

Community Action Pioneer Valley helps low-income people in Hampshire County, Franklin County, and the North Quabbin access food, fuel assistance and child care, find employment, and reach financial stability.

The **Money Matters** program offers one-on-one financial counseling, community workshops, and runs the VITA free tax assistance clinics.

Credit 101

Credit is money you have access to now that you will need to pay back later

- Credit cards, student loans, mortgages, auto loans

Credit is a powerful tool

- Can increase wealth in the long term (think buying a house)
- Debt can balloon and become unmanageable (think credit card debt)

Credit 101

Credit has a cost

- Interest
- Fees

Annual Percentage Rate, or **APR** is interest plus all other fees

The lower the APR the less you pay to retain a balance on a loan or credit card

What's the difference?

Credit reports vs. credit scores

A **credit report** is a detailed list of your credit history

A **credit score** is a grade for your credit report

Credit Reports

A credit report includes . . .

- Your name, address, and social security number
- A list of open and closed credit accounts
- Information about your payment history associated with each account
- A list of any debts that are in collection
- Public records such as bankruptcy
- Any hard or soft inquiries

Credit Reports

Credit reports are compiled by credit bureaus

- Equifax
- Experian
- TransUnion

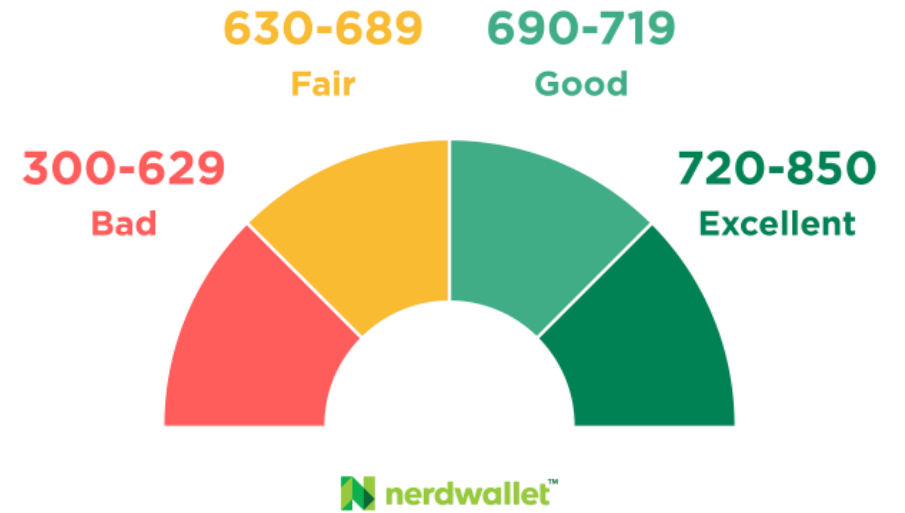
The logo for Equifax, featuring the word "EQUIFAX" in a bold, red, sans-serif font.The logo for TransUnion, featuring the word "TransUnion" in a blue, sans-serif font, with a circular icon containing the letters "tu" to the right.The logo for Experian, featuring a cluster of colored squares (blue, purple, pink) to the left of the word "experian" in a blue, sans-serif font, with a trademark symbol.

Information from your bank or loan servicer is submitted to the credit bureaus monthly

Credit Scores

A credit score is a grade based on your credit report that looks at ...

- Your payment history
- Your credit usage
- The length of your credit history
- All recent activity/inquiries



Credit Scores

Credit scores are generated by **FICO** and **Vantage**

- You can check your credit score as many times as you like without any negative affects
- Your score may change depending on the report or scoring company
- Credit score companies have different models available. Different lenders may use an older/newer version, and your score may differ



How do I check my credit?

Get your credit report from www.annualcreditreport.com

- Generally, get a free copy every 12 months from each credit bureau
- During the pandemic you can get a credit report each week

You can check your credit score several places

- Your online banking site or budgeting app (Mint, etc.)
- Directly from credit bureaus
- Sites like Credit Karma or Nerd Wallet

What affects my credit?

- 1. Payment history:** Paying the minimum balance on time every month is the best thing you can do for your credit
- 2. Credit usage:** The amount of your credit limit you currently hold as a balance, keep it low!
- 3. Length of credit history:** Get a higher score with older accounts. If you're not using a credit card anymore, considering keeping it open with a \$0 balance
- 4. Credit mix:** Having a mix of different types of credit can boost your score
- 5. Recent hard inquiries:** If you apply for several new lines of credit within a few months, this will lower your score

What if I have no credit?

Secured credit card

- Talk to your bank first to see if they offer a product
- You deposit a small amount, usually between \$200-\$500
- You get a credit card with a limit up to your deposit amount
- Use the card and make on time payments
- After a set period you get your deposit back and your credit limit increases

What if I have no credit?

Credit builder loan

- Amount often around \$500
- Loan is kept with the bank, you don't get the funds
- You make scheduled payments
- At the end you get the money back, or you can keep it in a savings account at the bank

Authorized user

- Someone adds you as a user to their existing credit card. Your credit score is tied to their payment history

Experian Boost

- Experian now offers to report your utility or phone payments on your Experian credit report. May not be reflected on a credit score

What if I have bad credit?

Bad credit does not have to be forever!

- Inactive accounts on your credit report will “fall off” after 7-10 years
- Make the minimum payments on time each month
- Keep your balances low
- **Talk to your creditors**, you may be able to waive or lower the minimum payments, lower your interest rate, or remove late fees
- Dispute anything that is fraudulent or inaccurate

Best Practices

- Make on time payments
- Keep credit usage low
- Be informed
- Take action when needed



Credit and Buying a House

Different types of loans require different scores

- Conventional loans require higher scores, while you can get an FHA loan with a score in the 500s

Your credit score can lower the cost of your mortgage

- A high credit score will lower your interest rate

Disputing Something On Your Credit Report

If you check your credit report and see ...

- Payments marked as late that were on time
- Accounts that are not yours
- Incorrect account statuses

Contact the credit bureau directly

Use the guide from the Consumer Financial Protection Bureau, CFPB bit.ly/cfpbdispute

Common Myths

Checking my credit report will hurt my score

- A credit inquiry only affects your score if its related to a credit application. If you, a landlord, or an employer check your report, it has no affect. If a credit card company or bank checks your report, it will be marked as an inquiry

If I don't have any credit I don't need to check my report

- If someone else had access to your social security number, they may have opened a credit account in your name. You will never know unless you check!

Money Matters can help!

The Money Matters program offers one-on-one financial counseling

- Build a budget
- Pull your credit report and make an action plan
- Help planning for big expenses like a car or home

Must live in Hampshire County, Franklin County or the North Quabbin AND have income is within certain limits

www.communityaction.us/moneymatters