

TIPS ON HOW TO BUILD YOUR CREDIT HISTORY

- Apply for a small loan at the bank, thrift, or credit union where you have checking and savings accounts.
- Apply for credit with a local store, such as a department store. They typically have a lower credit limit and a higher annual percentage rate (APR) but are generally more willing to lend you money. There is usually no fee for department store cards.
- Make a large down payment on a purchase and negotiate credit payments for the balance. If you do not have a credit history but have a large down payment, there is less risk you will not make the payments. For example, if you are buying a used car for \$5,000 and have enough cash, you might consider making a down payment of \$1,000 to \$3,000. Although the loan will be very small, it can prove you make your payments on time.
- You might ask a friend or relative with an established credit history to be a cosigner for you. A cosigner promises to repay the loan if you do not. The lender should report the payment information for both you and the cosigner to the credit reporting agencies. Remember that you can damage the cosigner's credit history if you default on the loan.
- Pay your bills on time. This will help establish a good credit history so you can get credit in the future.
- You might ask the lender to review your history of making rent and utility payments to demonstrate your ability to pay.
- Make regular deposits into a savings account. This is another way to show the lender that you can make payments every month, even if you are making the payments to yourself.

TIPS ON HOW TO REPAIR YOUR CREDIT HISTORY

There are two ways to repair your credit history: do it yourself or use a credit counseling agency.

Repairing Credit on Your Own

- Start by contacting credit agencies to get a copy of your credit report.
- If there are errors on your credit report, you can contact the credit reporting agency to request an investigation.
- Contact your lenders to renegotiate payment plans.
- Opt out of receiving unsolicited offers for credit cards to avoid the temptation of applying for them.

Repairing Credit Using Credit Counseling Agencies

If you decide to use a credit counseling agency, the Federal Trade Commission provides the following tips for choosing a credit counseling agency and questions to ask regarding services, fees, and repayment plans.

- Interview several credit counseling agencies before signing a contract.
- Check with your state attorney general, local consumer protection agency, and the Better Business Bureau to find out if consumers have filed complaints about the agency you are considering. A reputable agency will send you free information about itself and the service it provides without requiring you to provide any details about your situation. If the agency will not do this, find another agency.
- Ask questions about services, fees, and a repayment plan.

Questions to Ask Credit Counseling Agencies

Services and Fees:

- What services do you offer?
- Do you have educational materials? If so, will you send them to me? Are they free? Can I access them on the Internet?
- In addition to helping me solve my immediate problem, will you help me develop a plan for avoiding problems in the future?
- What are your fees? Do I have to pay anything before you can help me? Are there monthly fees? What is the basis for the fees?
- What is the source of your funding?
- Will I have a formal written agreement or contract with you?
- How soon can you take my case?
- Who regulates, oversees, or licenses your agency? Is your agency audited?
- Will I work with one counselor or several?
- What are the qualifications of your counselors? Are they accredited or certified? If not, how are they trained?
- What assurance do I have that information about me (including my address and phone number) will be kept confidential?

TIPS ON HOW TO REPAIR YOUR CREDIT HISTORY (Continued)

Repayment Plan:

- How much debt must I have to use your services?
- How do you determine the amount of my payment? What happens if this is more than I can afford?
- How does your debt repayment plan work? How will I know my creditors have received payments? Is client money put into a separate account from operating funds?
- How often can I get status reports on my accounts? Can I get access to my accounts online or by phone?
- Can you get my creditors to lower or eliminate interest and finance charges or waive late fees?
- Is a debt repayment plan my only option?
- What if I can't maintain the agreed-upon plan?
- What debts will be excluded from the debt repayment plan?
- Will you help me plan for payment of these debts?
- Who will help me if I have problems with my accounts or creditors?
- How secure is the information I provide to you?
- Will this appear on my credit report?

THE TRUTH ABOUT CREDIT REPAIR

Only consistent efforts and making payments on your debts will improve your credit.

Beware of companies that:

- Promise to erase your bad credit or to remove bankruptcies and judgments from your credit file. No one can have accurate information removed.
- Promise fast and easy credit repair. If you have bad credit, it can take years to repair your credit legitimately.
- Offer to create a new identity for you. If you make false statements on loan applications or use a fake Social Security number, you will be committing fraud. You can also be charged for mail or wire fraud if you use the mail or telephone to apply for credit and provide false information.
- Want you to pay for credit repair services before providing any service. The company might not be legitimate.
- Will not tell you your rights and what you can do yourself: Remember, you can order your credit report yourself. If you see errors on your report, you can also request that the credit reporting agencies make appropriate changes.

Before signing a contract, check with your local Better Business Bureau, state attorney general's office, or local consumer protection agency to see whether complaints have been filed against the company.

Many states have laws that regulate credit repair companies.