

Understand your credit score

Banks, credit card companies and other businesses use credit scores to estimate how likely you are to pay back money you borrow.

A higher score makes it easier to qualify for a loan or lower interest rates. Many scores range from 300-850, but different companies use different ranges.

You have many credit scores

You can have more than one score, because:

- Lenders use different scores for different products.
- There are many different credit scoring formulas.
- Information can come from different credit reporting sources.

For example, your credit card score could be different from your home loan score, and the scores you purchase online could be different from both of those.

For some people, these differences aren't that big. But because lenders use different scores, you might qualify for lower rates with one lender and not another. It can pay to shop around.

Where do credit scores come from?

Your credit scores are generally based on information in your credit reports. This information is reported by your creditors to credit reporting companies. The three biggest are Equifax, Experian and TransUnion.



Several variables affect your credit score:

- How many credit accounts you have
- How long you've had those accounts
- How close you are to your credit limit
- How much credit you have left
- How often your payments have been late
- Other factors

How to raise your score

- **Pay your bills on time, every time.** One way to make sure your payments are on time is to set up automatic payments, or set up electronic reminders. If you have missed payments, get current and stay current.
- **Don't get close to your credit limit.** Credit scoring models look at how close you are to being "maxed out," so try to keep your balances

low in proportion to your overall credit limit. Experts advise keeping your use of credit at no more than 30 percent of your total credit limit.

- **A long credit history will help your score.** Credit scores are based on experience over time. Your score will improve the longer you have credit, open different types of accounts, and pay back what you owe on time.
- **Be careful closing accounts.** 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 if you are using a high percentage of your total credit limit. Frequently opening accounts and transferring balances can hurt your score too.
- **Only apply for credit you need.** Credit scores look at your recent credit activity as an indicator of your need for credit. If you apply for a lot of credit over a short period of time, it may appear that your economic circumstances have changed for the worse.

Your credit report matters as much as your score

Mistakes in your credit reports could hurt your credit history and credit score, so check them regularly. You can get one free credit report from each of the big three credit reporting companies every 12 months. Go to annualcreditreport.com or call 877-322-8228.

When you get your report, look for:

- Mistakes in your name, phone number, or address.
- Loans, credit cards, or other accounts that are not yours.
- Reports saying you paid late when you paid on time.

- Accounts you closed that are listed as open.
- The same item showing up more than once (like an unpaid debt).

How to fix mistakes


If you find something wrong in your credit report, you may contact both the credit reporting company and the creditor that provided the information. Explain what you think is wrong and why. Include copies of documents that support your dispute.


Your credit reports will come with instructions on how to dispute mistakes.


Submit a complaint

Have an issue with a financial product or service? We'll forward your complaint to the company and work to get a response from them.

 **Online**
consumerfinance.gov/complaint

 **By phone**
(855) 411-CFPB (2372)
(855) 729-CFPB (2372) TTY/TDD

 **By fax**
(855) 237-2392

 **By mail**
Consumer Financial Protection Bureau
P.O. Box 4503
Iowa City, Iowa 52244

How to rebuild your credit

When you experience a financial challenge, your credit record could suffer. Rebuilding it takes time. There are no shortcuts or secrets.

The steps below can help

1. Pay your bills on time, every time

“On time” means the payment gets to the company by the day the bill is due. Mail your bills a few days before they’re due.

Think about signing up for text alerts to make sure you don’t pay late or miss a payment. Or, consider automatic payments from your bank to help make sure your bills get paid on time. Keep track of automatic payments so you know you have enough money in your account to cover them.

2. Don’t get too close to your credit limit

Credit scores consider how close you are to being “maxed out” on credit cards. If you use too much of your available credit, you can hurt your credit score. Experts advise using no more than 30 percent of your available credit – some even say you should use less than 10 percent.

3. Don’t apply for too much credit in a short time

Your credit score may go down if you apply for or open a lot of new accounts in a short time. This includes getting a new card so you can transfer



balances, or opening a new store card account so you can get a discount.

4. If you can’t qualify for a regular credit card, try a secured card

Many banks and credit unions offer secured credit cards. With most of these cards, your credit line starts out small. You put an amount equal to your credit limit in an account as a deposit.

As you show you can pay on time, your credit limit may grow and you may have your deposit refunded. Fees and interest rates can be high for secured cards, but using one can help you to establish a credit record.

5. If you pay with a credit card, pay your balance off every month

You’ll build credit by using your credit card and paying on time, every time. Pay off your balances

in full each month to avoid paying finance charges. Paying off your balance each month can also build better credit than carrying a balance.

Keep it up

Credit scores are partly based on experience over time. The longer you have credit and pay on time, the more information there is to show you're a good credit risk.

6. Check your credit reports and fix errors right away

You can get a free copy of each of your credit reports from the three nationwide credit reporting companies every year at annualcreditreport.com.

You may find incorrect information that is bringing your score down. If you do, file a dispute with the credit reporting company and with the company that was the source of the information.

How long does negative information generally stay on your credit report?

Bankruptcy	10 years
Foreclosure	7 years
Lawsuits and judgments	7 years or longer


These four things don't help rebuild your credit


- 1. Using a debit card or paying cash.** These transactions don't help you prove you can repay debts.
- 2. Using a prepaid card.** A prepaid card is your own money, loaded on to the card in advance.
- 3. Taking out a payday loan.** Even making on-time repayments might not help your credit.
- 4. Taking an auto loan from a "buy here, pay here" car lot,** unless they promise in writing to report your on-time payments.


Submit a complaint

Have an issue with a financial product or service? We'll forward your complaint to the company and work to get you a response - generally within 15 days.

 **Online**
consumerfinance.gov/complaint

 **By phone (180+ languages)**
M-F, 8 a.m. - 8 p.m. ET
(855) 411-CFPB (2372)
(855) 729-CFPB (2372) TTY/TDD

 **By mail**
Consumer Financial Protection Bureau
P.O. Box 2900
Clinton, Iowa 52733-2900

 **By fax**
(855) 237-2392



Take the Wheel

Auto-Buying Resources: Do Your Homework

Advice

consumerreports.org - Receive free car-buying advice, review ratings, review “Guide to Fuel Economy,” search maintenance and accessories/options, and compare safety features. While a lot of information is available, some requires the user to become a subscriber or pay a small fee.

autos.msn.com - Get the latest news and advice for new and used vehicles. Many useful links to pricing and more.

consumerguide.com - A guide to making car buying easier. Evaluations of new and used vehicles, expert shopping advice, and feature articles to help car buyers. Look for the monthly Consumer Guide Car & Truck Test new-vehicle buying guide for more information.

autovantage.com - As a member, receive roadside assistance, travel deals, and car care savings. Finance tools and new- and used-car research are available to help buyers.

Energy

fueleconomy.gov - Operated by the U.S. Energy Department, this site contains mpg (miles per gallon) estimates, gas mileage tips, fuel economy ratings, and information about hybrid vehicles and fuel cells.

hybridcars.com - Shares news and information about hybrid cars. It's part Web journal, part online community, and part hybrid market research organization. Hybridcars.com works closely with University of Michigan's Office for the Study of Automotive Transportation in developing surveys and other research projects related to the emerging hybrid market.

History Reports

Your vehicle history report will tell you if the vehicle has been salvaged or stolen, flood or hail damaged, in a fire or accident, had an odometer rollback, used as a police car, or used as a rental or taxi.

carfax.com – Single Carfax reports check for important information that can help you make a more informed decision about buying a used vehicle.

experian.com/automotive - Single AutoCheck reports are unique, showing the latest vehicle trends, compare similar models and select the right vehicle for you.

State Department of Transportation (DOT) – Provides vehicle history reports for a small fee, but they may not contain accident history. Check your state DOT Web site for information/forms. Reports may be available from some local law enforcement, but most—or all—requests may be directed to DOT.

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