

# Financial Management

## You Can Repair Your Credit

You can help yourself to rebuild a better credit record.



1. If you are having trouble paying a bill, talk to your creditor and make arrangements. It is important to make realistic arrangements so you are able to follow through with your agreement. Document all

conversations with dates, times and who you spoke with.

2. Get a copy of your credit report. You may be eligible for a free report or you may have to pay up to \$9 for a copy of one report. There are three separate reports generated by the following credit reporting agencies:

Equifax, 1800-685-1111 [www.equifax.com](http://www.equifax.com)

Experian 1-888-397-3742 [www.experian.com](http://www.experian.com)

Trans Union 1-800-916-8800 [www.transunion.com](http://www.transunion.com)

As of March 1, 2005, Wisconsin residents can receive a free credit report once a year from all three consumer reporting agencies.



3. Write to the Credit Reporting agencies and dispute any errors in your report. You will need to correct each report separately. There is no charge to dispute items on your credit report. Save copies of all your correspondence.

4. Accurate negative information generally can be reported for seven years, but there are exceptions:

- Bankruptcy information can be reported for 10 years.
- Information reported because of an application for a job with a salary of more than \$75,000 has no time limitations.
- Information concerning a lawsuit or a judgment against you can be reported for seven years or until the statute of limitations runs out, whichever is longer.
- Default information concerning U.S. Government insured or guaranteed student loans can be reported for seven years after guarantor actions.
- Information about criminal convictions has no time limit.
- Credit information reported because of an application for more than \$150,000 worth of credit or life insurance has no time limit.

### Improve your credit score

A credit score influences the credit that's available to you and the terms that lenders offer you. It is a vital part of your credit health. Scores range from 550 to 720. The Fair Isaac Company (FICO) developed the FICO credit score as a method of determining the likelihood that credit users will pay their bills.



### Improving your FICO score can help you:

- Get better credit offers
- Lower your interest rates
- Speed up credit approvals

### How is my FICO score determined?

Credit scoring models are complex and often vary among creditors and for different types of credit. If one factor changes your score may change – but

improvement generally takes 6-12 months. This is because the largest factor that impacts this score is your payment history followed by the level of debt. Payment history only changes as you create new positive history. The amount of debt typically does not change over night, but over time. The FICO scoring model evaluates the following types of information found in your credit report.



**How Long Have You Had A Credit History? (15% of your score is based on Length of Credit History)**

In general a longer credit history will increase your score. However, even people who have not been using credit long may get high scores. Your score takes into account:

- How long your credit account has been established in general.
- How long specific credit accounts have been established.
- How long it has been since you used certain accounts.

January 1998

1 Thursday	2 Friday	3 Saturday
8 Thursday	9 Friday	10 Saturday
15 Thursday	16 Friday	17 Saturday

**Have you paid your bills on time? (35% of your score is based on Payment History)**

This is one of the most important factors in a credit score. Missing, paying late or even paying too little can make a serious dent in one's overall credit rating.

**What is your outstanding debt? (30% of your score is based on Amounts Owed)**

This score reflects:

- The overall amount you owe and the amount you owe on specific types of accounts, such as credit cards and installment loans.

*Having a very small balance without missing a payment shows that you have managed credit responsibly, and may be slightly better than carrying no balance at all. On the other hand closing unused credit accounts that show zero balances and that are in good standing will not raise your score.*

- How many accounts have balances? *A large number of accounts can indicate higher risk of over-extension.*
- How much of the total credit line is being used. *If the amount you owe is close to your credit limit, it is likely to have a negative effect on your score.*
- How much of an installment loan is still owed.

**Have you applied for new credit recently? (10% of your score is based on NEW Credit)**

Opening several credit accounts in a short period of time, especially for people who do not have a long established credit history – and/or multiple credit requests, can lower your credit score. You can lose points per inquiry for new credit accounts, but the effect is not long-lasting. *FICO scores do a good job of distinguishing between a search from any new credit accounts and rate shopping for one new account.*

**How many and what types of credit accounts do you have? (10% of your score is based on Types of Credit in Use)**

The score will consider your mix of credit cards, retail accounts, installment loans finance company accounts and mortgage loans. The credit mix is more important if your credit report does not have lot of other information on which to base a score.

For more information you can check out [www.myfico.com](http://www.myfico.com).



Source: Building a Better Credit Record Federal Trade Commission [www.ftc.gov](http://www.ftc.gov) 1-877-FTC-HELP. Understanding Your Credit Score my Fico, [www.myfico.com](http://www.myfico.com), Fair Isaac Corporation, P.O. Box 11746, San Rafael, CA 94912

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