

## 6 Easy Steps Towards Credit Repair

Everyone knows a good credit score saves money, but many are often unsure how this works or what steps can be taken to ensure optimal interest rates are obtained. A simple example illustrates the power credit has in our lives, and why repairing and rebuilding are essential to future financial success.

**A PERFECT EXAMPLE OF WHY YOUR CREDIT RATING IS SO IMPORTANT:** Suppose you and your sister are both obtaining separate \$20,000 car loans. Your sister's credit score is excellent at 720. Your credit score, however, is not so good at 520. When your sister purchases her car, she receives an interest rate of 4.9%, and you receive a rate of 14.9%. Your monthly payment is \$475 over 5 years, compared to your sister's monthly payment of \$375 for the same loan amount. Each month, you will be paying \$100 more than your sister and nearly \$6,000 more in interest. It is up to you to intervene and take control of your credit, and with these easy tips, your score could see drastic increase over time.



**1.** 75% of Americans do not know their credit score. You are entitled to one free credit report per year. Though you should check your report many times per year for fraud or error, at least one of those reports should be free. You can receive your free credit report from any of the three credit reporting agencies at [www.annualcreditreport.com](http://www.annualcreditreport.com).

**2.** 90% of all credit reports have something wrong with them, whether minor or major. Once you receive your credit report, it's important to carefully check for any inaccuracies. This helps protect against identity theft and innocent error. The agencies have just 30 days to respond to

your inquiry regarding a mistake; if they fail to verify an item after 30 days, it is removed from your credit report. It's important to check with all three agencies.

**DID YOU KNOW?** Today, it is estimated that 27,400 people will have their identity stolen. This adds up to over 10,000,000 people per year affected by identity theft. Isn't it worth checking up on your credit?

**3.** If your interest rates are particularly high, and especially if you've been making on-time payments for several months, call your creditors and simply ask for an interest rate reduction. Many times, people accept what they've been given rather than proactively seeking out methods of paying debt off faster. This also works to increase your credit limit, which could potentially increase your credit score so long as you are not racking in more debt. Keep a steady debt-to-credit ratio.



**4.** Credit card balances should be no more than 35% of your total credit limit. By following this rule, you appear to be a more trustworthy customer which will eventually qualify you for better rates and money saved. This rule also prevents you from overspending and creating even more debt.

**5.** Avoid too many inquiries on your credit report. There is a difference between "hard" and "soft" inquiries; "hard" inquiries lower your credit score. Unfortunately, these inquiries are unavoidable: any time you want to get a loan, mortgage, or credit card, an inquiry is made. Too many inquiries in a period of a few months lowers your score even more. "Soft" inquiries, however, do not impact your credit score. Soft inquiries are when credit card companies pre-approve you for offers that you frequently receive in the mail. These soft inquiries do not impact your credit score, but if you wish to no longer receive these offers, you can block them through the credit reporting agencies.

**WARNING:** Some companies provide a service and offer to shop around for you to get the best rate. All the inquiries from multiple companies on your credit score can end up lowering your overall score.

**6.** Make payments on time each month. Just one late payment on a credit card can cause not only that interest rate to increase, but interest rates on other credit cards as well. Making payments on time each month increases credit scores drastically over time.