

Your credit score is a number used to gauge how creditworthy you are. It is seen as a predictor of how likely you are to repay a loan and make payments on time. Every financial transaction that you make can impact your credit score. If you miss a credit card payment, don't pay your rent, phone bill or utilities, bounce a check, carry too much debt, buy a car or a house or take out a student loan - your credit score is affected.

Maintaining a good credit score is one of the most important things you can do for your financial health. The higher your score, the more money you can borrow and the less you'll pay for the loan. Your credit score is commonly checked when you rent an apartment, purchase a home, turn on your utilities or even apply for a job. Your credit history can affect how much you pay for car insurance, what cell phone plan you're eligible for and more.

There are three credit reporting agencies, and each agency has a different formula it uses to calculate your credit score, which is also known as your FICO score. Many lenders make loan decisions based on your credit score. Think of it as your entire credit history turned into one number.

A Typical FICO Score Breakdown:

If your FICO score is:	Your credit score is considered:	And you will pay:
720 – 850	Excellent	The lowest interest rates on loans.
690 – 719	Good to Excellent	Low or high rates: shop around.
660 – 689	Good	High rates: shop around.
625 – 659	Fair	Very high rates: shop around.
590 – 624	Poor	The highest interest rates on loans.
300 – 589	Very Poor	You might not qualify for a loan.

Is There a Fee to Obtain My Credit Score?

Credit scores are not free. They cost around \$16 per score. Visit www.MyFICO.com to order.

How Do I Get My Credit Report?

Your credit report will provide a detailed history of your credit. There are three nationwide consumer reporting companies that collect all of your credit information. Each is required to give you a free copy of your credit report every 12 months, if you request it. They all use one website and one phone number for consumers to order their free annual report. To get it, go to www.annualcreditreport.com or call 877-322-8228.

WARNING: Do not be fooled by companies that offer free credit reports in TV and radio advertisements. They will charge you a monthly fee for a credit monitoring service you probably don't need!

What Affects My Credit Score?

- **Your payment history makes up 35% of your score.** The single most important thing you can do is pay your bills on time.
- **Your balance accounts for 30% of your score.** Paying down your balances is the second best way to improve your score.
- **In addition,** 15% of your score is determined by how long you've been using credit (longer is better), 10% by how often you request credit (less often is better) and the final 10% by the type of credit you use (a combination of loans and credit cards helps).

If You Have a Credit Crisis, Reputable Organizations Can Help!

- **Financial Empowerment Centers:** Overseen by the city, FECs provide free confidential credit counseling and may help lower your monthly debt payments. With locations across the city, they are a great first stop if you want advice and assistance. Call 311 to schedule an appointment.
- **Credit Where Credit is Due:** Free financial counseling and education. Call them at 212-927-5771.
- **Watch for scams!** There are predatory companies that may try to take advantage of your situation by charging you for services you could do for free or simply taking your hard-earned money and doing nothing at all. **FECs and Credit Where Credit is Due** can help refer you to trustworthy services.

How Can I Improve My Credit Score?

There is no quick fix to improving your credit score, and if someone is advertising exactly that – beware! Only accept help from reputable organizations – start with those that Habitat-NYC recommends.

Remember, **YOU CAN IMPROVE YOUR SCORE** over time. There are many positive actions you can take:

- 1 Pay all of your bills on time every month – it is the fastest way to add points to your credit score.
- 2 Pay more than the minimum per month. Otherwise it can take you years to pay off your balance and you could pay two or three times your balance in interest!
- 3 Pay down your balances. The wider the gap between your balance and total credit limit, the better your score. Aim to use no more than 30% of your available credit. If you can't pay down all your balances, try to pay down the balance that is closest to its credit limit.
- 4 Read your monthly statement and review the terms of your card. Verify the interest rate and credit limit every month, and look for mistakes on your statement. If there is an error, report it to the credit card company.
- 5 Review all three credit reports at least once per year. Dispute incorrect information to your creditor and the credit reporter in writing. Remember, www.annualcreditreport.com is the only website for a truly free credit report.
- 6 Build an emergency fund. If an unexpected expense comes up, such as a car repair or a medical expense, you can pay for it with cash instead of charging it and increasing your credit balance.
- 7 Take extreme caution when transferring credit balances to low-interest rate credit cards. Your best bet is to stick with paying down your balances rather than moving them around.
- 8 Stay on top of “hard inquiries.” When you apply for new credit, a lender will review your credit history. These are called “hard inquiries,” and they can lower your score. The impact of an inquiry should be minimal if you shop for one loan at a time and don't spend more than 30 days shopping for the best rate. It may be possible for you to provide your own recent copy of your credit report to the lender instead.
- 9 Wait six months after you have applied for credit before you apply again.
- 10 Be careful about closing your credit card accounts even after you pay them off. When you close an account, you lower your total available credit. You want to widen the gap between your total credit balances and your total available credit to improve your score. Also, the longer you have an open account the better.
- 11 Shop around for interest rates if you are planning a large purchase or getting a student loan, but try to do all your shopping within 30 days to minimize the impact on your credit score.
- 12 You need to use your credit to improve it. Even if you don't need credit, make small purchases with your credit cards, then pay them off in full every month.
- 13 If you have public records, charge-offs, or delinquencies or are being contacted by a collection agency, see a credit counselor for advice.
- 14 Talk to creditors that have reported negative information about you to the credit bureaus. They may be willing to remove it from your credit report – it's worth a call!
- 15 If you have a limited credit history, consider credit reporting organizations that track payments such as utilities and rent to demonstrate your creditworthiness. One example is PRBC (<http://ez.prbc.com/main/faq.php>)

And above all: Don't ignore your credit problems. Your credit belongs to you, and it's your responsibility to maintain it. Don't be embarrassed by credit troubles – you are not alone and a little effort can put you back on track! Take advantage of the free resources we've listed – there are people and services willing to help!