



## Building a Good Credit Record

A solid credit history can be one of your most useful and powerful financial assets. A record of prudent credit use and prompt payments can enable you to not only qualify for credit when you need it, but it may also enable you to get a lower interest rate on your borrowing.

There are three main credit agencies that gather financial information on individuals and then make that information available to lenders to help them determine whether to make a loan to someone. The information they compile includes a great deal of basic data such as age, Social Security number, current and previous addresses, employers and marital status. They also get information on your borrowing history from places you have borrowed such as credit cards issuers, mortgage lenders and others. Your credit report probably includes all the credit relationships you have, date established, maximum allowed credit, current balances and payment history.

### Indications of a solid credit history:

- Some, but not extensive borrowing.
- Prompt payment of monthly bills.
- Paying down balances over time.
- Steady employment.

### Items that can hurt your credit report:

- Filing for bankruptcy.
- Too many credit cards.
- Too many applications for credit.
- Late payments.
- Increasing credit card balances.
- Several credit cards with balances close to their limits.

Lenders will use a credit report, along with evaluating your capacity to repay, your character and any collateral in making decisions to lend you money. Many lenders also take these same issues into account in deciding what interest rate to charge or type of loan to offer.

It is important to make sure your credit report is accurate and up to date. A program enables you to receive a free credit report once a year. You can get this free report by using the website – [www.annualcreditreport.com](http://www.annualcreditreport.com). You can also get copies by calling the credit agencies, but there may be a small charge unless you have recently been denied credit.

- TransUnion - 800/888-4213
- Experian - 888/397-3742
- Equifax - 800/997-2493

If you see an error on the report, be sure contact the credit agency in writing. Tell them of the error and ask that it be corrected. Negative information generally remains in your credit report for seven years and bankruptcies may remain for 10 years. However, most lenders pay particular attention to your most recent couple of years of activity.

Being aware of your credit report, making sure it is accurate, working to improve your credit characteristics and understanding the importance of your report can all help you ensure that credit will be there when you need it.