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Bad Credit?

Here's What You Can Do

For people grappling with poor or no credit history, improving their credit record may seem like a daunting task. Here are ways to improve your credit which can help increase your chances of qualifying for better loan terms, and perhaps lower insurance rates.

1. Order your free credit reports at AnnualCreditReport.com

(https://www.annualcreditreport.com/index.action)

and check for accuracy

Your credit report will tell you what loans you have, how long you have had them, and how much you still owe. Your credit report may also include problems in your credit history including loans you may have defaulted on and any debt collection or court judgments against you. Credit bureaus (such as Experian, Equifax and TransUnion) and other companies use the information in your credit report to generate a credit score which can be used by lenders to evaluate your creditworthiness. Some landlords may use credit scores to evaluate your request for an apartment. That's why the accuracy of the information in your credit report is very important.

Mistakes on your credit reports can happen, so it's important to check for errors. As a consumer, you have the right to dispute any inaccuracies and receive a timely response from any entity to provide the information to the credit bureau. And know that you never have to pay a fee or subscribe to anything to get your free annual credit reports (http://www.annualcreditreport.com), even if someone offers you additional credit-related services.

2. Improve your credit history to increase your credit score

- **Pay on time.** Paying your bills on time is one of the most important things you can do to strengthen your credit score. Use your bank's bill pay service to set up automatic payments for loans, credit cards or other bills to pay on time.
- **Pay down or pay off loan and credit card debt.** Having loans and credit card balances at their limits is expensive and can negatively impact your credit score. Consider paying off the lowest balance debt first, then paying the next lowest debt you owe to pay it off faster. Or pay off the debt with the highest interest rate first, so that your money pays down your debt, not just the interest.
- **Length of credit history helps your credit score.** Consider keeping your credit card account open even if you've paid off the balance. Having a long credit history can help your credit score.
- **Shop for credit only when you need it.** Submitting numerous applications for loans is also reported to credit reporting agencies and may lower your credit score.
- **Contact your lender or creditor right away if you experience difficulty making payments**. They may be able to help you with a solution before it becomes a problem that affects your credit score. Anyone can run into financial trouble. Don't be afraid to reach out if it happens. For information, visit Working Through Financial Difficulty (https://www.fdic.gov/consumers/consumer/news/july2020.html).

3. Get free or low-cost help from reputable sources

Credit counselors can help you organize your debts, create a budget, or create a plan to address your financial challenges. And while credit counselors typically do not negotiate any reduction in the amount of debt you owe, they can help you work with your lender or creditor. They also may be able to help make your monthly debt payments more manageable by negotiating extensions of the time that you have to repay debt and working with your lender or creditor to reduce fees and interest charges.

4. Beware of credit repair scams

Credit repair scammers often lure people with the false promise that they can easily remove your bad credit history in a short amount of time. But there are no quick and easy ways to remove credit problems on your record. Be cautious if someone insists you pay upfront before they work on your behalf or if they encourage you to give false information on your credit applications. Before doing business with a for-profit credit repair company, learn how you may be able to improve your credit at little or no cost. To learn more about avoiding scams, visit FDIC Money Smart for Older Adults (https://www.fdic.gov/consumer-resource-center/money-smart-older-adults).

Additional Resources

- Understand, access, and improve your credit reports and scores (https://playmoneysmart.fdic.gov/game/4)
- Options for borrowing money and what they cost (https://playmoneysmart.fdic.gov/game/1)
- What debt is and how to manage it (https://playmoneysmart.fdic.gov/game/7)

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