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BUILDING A NEW CREDIT REPORT

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You do not have to be a spendthrift to reach “debt overload.” Any major life change such as a job loss, unexpected medical bills, divorce, or money management mistakes can all cause problems with credit. However, you can take steps to build a new credit history no matter why you had credit problems.

Find Out Where You Stand

The first step is to find out exactly what your credit record says. When you apply for credit, the lender checks with a credit reporting agency to learn about your payment history. The agency gives the lender a report about your payment pattern, current unpaid bills, available credit, property liens, lawsuits, and other related information. Credit reporting agencies try to give accurate information, but they can make mistakes. When you’re having trouble getting credit, the first thing you should do is check the accuracy of your credit report. If you have been turned down for credit, you should receive a letter with the name of the credit reporting agency that provided the negative credit information. You’re entitled to a free report if you’ve been turned down for credit within the last 60 days. Otherwise, you’ll pay a small fee (about \$8) for a copy of your report.

Adapted from *Fixing a Poor Credit Rating*, written by Kathy Sweedler, University of Illinois Cooperative Extension Service, Urbana-Champaign, IL.

When you get your credit report, check for mistakes. Common mistakes include information about someone with a similar name, information from an ex-spouse’s account that your name was never on, or a closed account shown open. If there are any errors, write the credit bureau. Ask for an investigation. The credit agency legally has 30 days to investigate and correct the information. The credit agency cannot remove negative information if it is correct. Generally, negative information stays on a report for seven years. Bankruptcies stay on a report for ten years.

Credit “Doctors”

Some companies advertise that they can repair a bad credit report. Watch out! These groups can’t do anything that you can’t do. Some of them may charge substantial fees or a percentage of your debts, and then fail to follow through on the services they sell. Some may do little more than refer consumers to a bankruptcy lawyer, who charges an additional fee. The scariest credit clinics steal good credit records and sell them to consumers with poor records to use when applying for new credit.

Manage Your Money

To reestablish your credit, you need to build a good credit report. Take a closer look at how you manage your money. Write a spending plan for yourself. Compare your income with your expenses. Make sure you pay your bills by the due dates.

**Consumer Credit Counseling Service
Local Offices**

2751 Washington Blvd., Upper Suite
P.O. Box 547
Ogden, UT 84402
(801) 622-5721

2906 South State, #103
Salt Lake City, UT 84115
(801) 487-5028

7860 South Redwood Road
West Jordan, UT 84088
(801) 566-0800

946 W. Sunset, Suite L
St. George, UT 84770

If necessary, talk to current lenders about working out a plan that will make it easier to pay off your debts. You may be reluctant to approach your creditors because you are not sure how they will receive you. However, if you contact them as soon as you run into financial problems, and if you have paid your bills regularly in the past, most creditors will want to work with you. Explain why you are having difficulty and emphasize that you want to pay off your debts. Most creditors would rather get a partial payment every month than take you to court or have you file for bankruptcy. If you need help working out a repayment plan with creditors, the Consumer Credit Counseling Service can help.

While you are repaying debts, do not take on any more. You may want to stop carrying credit cards for a while. Before making any nonroutine purchase, ask yourself, "Do I really *need* this or just want it?" "Will I still want this item three weeks from now?"

Starting Over

You are ready to start over once you have paid off your debts. First, make sure your credit record is up-to-date. Check that the payments you are making on time are reported to credit bureaus. Another way to show that you

are credit worthy is to responsibly use a secured credit card. A secured card looks like and can be used just like a regular credit card. To get a secured credit card you deposit money into a savings account as collateral. Generally, the credit limit on the secured card will be 50 to 100 percent of the money you deposit. You should earn interest on the money deposited, although a secured card may have an application fee as well as an annual service charge. You will pay interest on any unpaid balances.

To apply for a secured credit card, check with your local bank or credit union. Banks offering secured cards are also available at www.cardweb.com. When you get the card, be sure the card issuer reports your use to credit agencies so that you can prove you pay your bills on time. Once you start using credit again, be sure to manage it well. Learn how to shop for credit (see FL/FF-02, "Selecting a Credit Card") and how to read credit contracts. When used wisely, credit is a tool that can help you realize your financial goals.

<i>What I Need To Do</i>	<i>By When</i>

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