



5 STEPS TO A BETTER **CREDIT SCORE**

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1. UNDERSTAND THE CREDIT SYSTEM

Your **credit report** is a summary of your financial history, as reported by your creditors. Three corporations (Equifax, Experian and TransUnion) collect and compile your financial transactions into a standard format called a credit report. Prospective lenders pay a fee to receive this report, which they use when deciding whether to loan you money.

Your **credit score** is a numerical risk assessment, based primarily on your credit report and corporate algorithms, to determine how likely you are to repay debts. The most commonly used score, the FICO score, is produced by the Fair Isaac Corporation. FICO scores range from 300–850, with higher scores indicating greater likelihood to repay.

Credit reports and credit scores can impact your life in many ways:

- Credit scores drive interest rates, loan approvals and insurance rates.
- Rental approvals and mortgages are influenced by credit scores.
- Security clearances and employment background checks may include a review of a modified version of your credit report.
- Bar admission in some states includes a credit report review as part of the character and fitness determination.

2. GET YOUR INFORMATION

Accurate credit information allows you to protect or improve your credit score. Commit to checking your credit report at least once a year to be sure it is free of mistakes and reflects your actual financial history.

Getting Your Credit Report

Go to *AnnualCreditReport.com* to request your free credit report. You're allowed one free report every 12 months from each of the three major reporting agencies—Equifax, Experian, and TransUnion. While you can review all three at the same time, staggering your requests every four months allows you to monitor your transaction history and check for fraud or mistakes more regularly.

Getting Your Credit Score

While you're working on improving your credit score, take advantage of free educational credit scores from sources such as Credit Karma, Credit Sesame, or Quizzle. Check with your bank or other financial institution to see if it provides your credit score as part of your account services.

If you're planning a major purchase, you might consider purchasing your *FICO* score so you can see what your creditors will be viewing. To do so, go to *myFICO.com*.

3. REVIEW YOUR REPORTS

Almost one in four people have at least one credit report error. After you obtain a copy of yours, check each section carefully.

- **Personal Information:** Verify your personal information, including your legal names and addresses.
- **Accounts:** Be sure that each account listed is yours and that the payment history is accurate. Also check for possible duplicate or missing accounts.
- **Inquiries:** Check out the companies that have requested access to your report. The "Inquiries shared with others" section should include only agencies with which you initiated a potential line of credit.
- **Public Records:** Verify that these entries are correct, including dates of any bankruptcies or wage garnishments.

TIP:

Review the top two credit negatives on your credit report, and work to address those.



CREDIT SCORE COMPONENTS

Your score is based on five components, and each component is weighted differently.

PAYMENT HISTORY 35%

On-time vs. late payments

- Pay your bills on time.
- Set payment alerts or automatic payments.
- Make at least the minimum monthly payment.

CREDIT UTILIZATION 30%

How much of your available credit you are using

- Know your credit limit on all accounts.
- Keep individual account utilization rates below 30%, and below 10% for highest scores.
- Work on paying down debt.

CREDIT MIX 10%

The mix of installment and revolving credit

- If taking on a student loan is your only current credit product, consider adding a credit card to the mix—and pay it off in full each month.

NEW CREDIT 10%

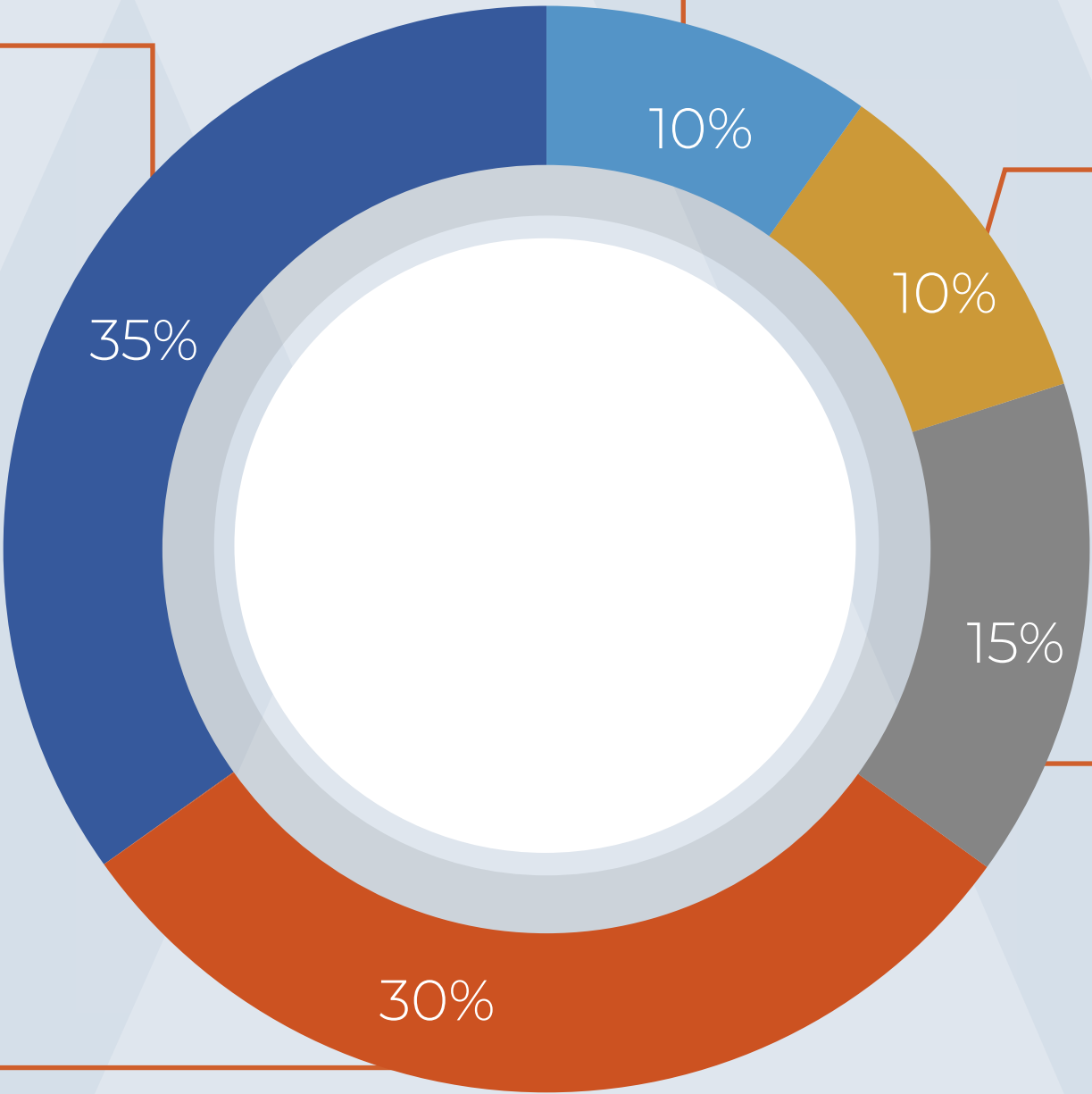
The number—and timing—of new credit accounts

- Keep new credit applications to a minimum.
- Submit all applications for a new car or home loan within a 30-day period so they are counted as a single inquiry.

LENGTH OF CREDIT HISTORY 15%

How long your credit accounts have been open

- Identify your oldest credit card account, and keep it active.
- Open an account if you don't have a credit history yet.



Disputing Items in Your Report

All three credit reporting agencies allow you to submit disputes online and in writing.

To dispute any items in your credit report online, follow these steps:

- While you're viewing your report online, click the link or button near the item you want to dispute.
- Select the reason you feel the information is inaccurate.
- Complete any additional steps required by the agency to finalize your dispute.
- Print and save any documents the agency offers so that you have proof of your dispute for your records.

TIP: While online disputes might be easier, disputing in writing allows you to provide complete details, include supporting documentation, and maintain records of delivery and receipt.

To dispute any items in your credit report in writing, follow these steps:

1. Send a dispute letter that clearly and simply describes the error to the credit reporting agency. Include evidence that supports your position. Be sure to select mailing options to track or confirm delivery of your packet.
2. Send a letter to the company that provided the information to the credit reporting agency, and include the same documentation you sent to the credit reporting agency.
3. Save copies of all letters, tracking information, and additional correspondence.

After you've submitted your dispute, look for a response from the reporting agency within 30 days.

- If the error is corrected, make sure all credit reporting agencies will be notified. And ask about sending corrections to anyone who obtained a copy within six months.
- If the error isn't corrected and you think that's a mistake, ask to add a statement about it in your credit file.

TIP: Search online for "sample credit dispute letter" to find examples of what a dispute letter should look like. MyFICO and the Federal Trade Commission (FTC) have some good examples.

4. ANALYZE YOUR BEHAVIOR AND GOALS

Now that you see what your financial résumé looks like from an outsider’s perspective, think about your financial personality and your financial goals. Ask yourself the following questions:

- Do I want or need credit?
- Could I be responsible with additional lines of credit?
- Am I having trouble paying on time?
- What big purchases, such as a car or a home, are on the horizon?
- What impact might my credit report have when I apply for bar admission?

Your answers to these questions will help guide your credit strategy.

5. SET YOUR STRATEGY

Commit to monitoring and improving your credit score. Set aside a “power hour” in the upcoming week to begin. If you benefit from accountability, find a friend and schedule a date and time to do this work.

My credit power hour will be on _____

My accountability partner will be _____

☐ I will request a copy of my free credit report at [AnnualCreditReport.com](https://www.annualcreditreport.com).

	Date Requested	Date Reviewed
☐ Equifax	_____	_____
☐ Experian	_____	_____
☐ TransUnion	_____	_____
Errors? _____		
Request next on _____ (Free from each agency every 12 months)		

☐ Set up automatic bill pay to eliminate late fees on these accounts:

☐ Set up calendar reminders for bill due dates.

☐ Reduce my balances to achieve a 30% or lower credit utilization ratio.
I will tackle the accounts in this order:

☐ Correct or dispute the following item(s) on my credit report:

☐ Other: _____



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