YOU and YOUR CREDIT: Credit Dos and Don’ts

Joan P. Elmore, Sarah M. Ellis, Michael S. Gutter, and Travis P. Mountain

YOU and YOUR CREDIT is a series of publications that contain information about the skills and knowledge needed to obtain, understand, and wisely manage credit. This is the first publication in the seven-part series outlining the various factors needed to achieve good credit reputation. The series includes the following:

Credit Dos and Don’ts: [http://edis.ifas.ufl.edu/fy1064](http://edis.ifas.ufl.edu/fy1064)

Credit Card Basics: [http://edis.ifas.ufl.edu/fy1065](http://edis.ifas.ufl.edu/fy1065)

Managing Your Credit: [http://edis.ifas.ufl.edu/fy1066](http://edis.ifas.ufl.edu/fy1066)

Credit Reports: [http://edis.ifas.ufl.edu/fy1067](http://edis.ifas.ufl.edu/fy1067)

Credit Scores: [http://edis.ifas.ufl.edu/fy1068](http://edis.ifas.ufl.edu/fy1068)

Home Ownership and Credit: [http://edis.ifas.ufl.edu/fy1069](http://edis.ifas.ufl.edu/fy1069)

Further Resources: [http://edis.ifas.ufl.edu/fy1070](http://edis.ifas.ufl.edu/fy1070)

Credit Dos

- **Open a bank account.** This will not appear on your credit report, but bank account numbers are often requested on credit applications.

Credit Card Basics

- **Apply for a credit card.** To avoid being denied credit, apply only for those cards whose requirements you are likely to meet. Department store or gas credit cards are usually easier to obtain than a bank-issued card with a Visa or MasterCard logo because the balances do not generally revolve. A secured card can reduce the chances of being rejected because the line of credit is tied to an asset, typically cash held in deposit with the issuing bank. If one exhibits responsible credit management for 18–24 months, it is reasonable to ask for an unsecured card. Normally, banks or financial institutions would also review secured cardholders’ credit management after 12 months in order to offer the unsecured credit card option.

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U.S. Department of Agriculture, UF/IFAS Extension Service, University of Florida, IFAS, Florida A & M University Cooperative Extension Program, and Boards of County Commissioners Cooperating. Nick T. Place, dean for UF/IFAS Extension.
• **Make sure the creditor** reports the credit card account activity to the credit bureaus. Because the purpose of obtaining the card is to establish credit, you want to choose a card that will help you do that.

• **Charge purchases and make payments on time.** Once you have used the card responsibly for three months, you may want to apply for a credit card from Visa, MasterCard, American Express, or Discover. These cards will allow you more flexibility in charging purchases, but will also give you more opportunity to get in trouble. Remember a $5,000 credit limit is not $5,000 in additional income. It is only a different way to spend the money you already have.

• **Create a spending plan.** Make sure that you are able to pay off the balance on the items you plan to purchase with a card. Write down all of your expenses and income. Adjust your spending accordingly. Keep a record of what you have spent. Your local county Family and Consumer Sciences Extension Agent can help with developing your spending plan.

If you are denied credit, ask why. Reasons may include income, employment, or credit history. You can request a free copy of your credit report to see if there is false data on it, and have corrections made.

**Credit Don’ts**

• **Don’t overdraw** your bank account. You will be charged fees, and you could damage a good reference.

• **Avoid missed or late payments** to any creditor. That is a sure way to damage your credit rating.

• **Don’t let anyone borrow your credit or debit card, or allow them to have access to your bank account.** You are responsible for any authorized use of your accounts.

• **Don’t give your card number to anyone over the phone or Internet** unless you initiated the transaction.

• **Avoid cash advances.** They’re expensive. You’ll pay upfront fees of 1–7% on the amount you withdraw, and you’ll be stuck paying a higher interest rate, often in the high teens or higher. And because there’s no grace period on a cash advance, the interest charges will begin to mount as soon as the money comes out of the ATM.
Using credit cards to pay for goods and services is a fact of life for most consumers. Yet, many consumers do not take the time to comparison shop for them. Rebates, bonuses, points, or rewards that allow us to earn credit toward other services or purchases can distract us.

While credit card balances in America average over $6,000, the reality is that only about one out of 20 households with a credit card actually owes more than $6,000 on a credit card. Thus, the average credit card debt per household is around $12,000, if only those who actually have and use credit cards are counted. If you do have $6,000 in credit card debt, at a typical interest rate of 18%, it would take 12 years to pay it off, making the minimum payments of 4% of the average daily balance ($240 per month). In this scenario, the cost of credit is $3,473 in interest payments, which equals a total of $9,473.

Advantages of Credit Cards

- **Allow you to shop or travel without carrying large sums of cash.** Most cards are accepted all over the world.
- **Can give you immediate use of the goods and services,** which is especially important for expensive items like appliances and furniture.
- **Can be used to deal with unexpected financial emergencies.**

Disadvantages of Credit Cards

- **Purchases may cost more** if not paid in full at the end of the month. Interest and other charges are added to the purchase price of goods and services.
- **Can help you to track how much you are spending by giving you a record of your purchases.**
- **Can offer protection against theft.** If your card is lost or stolen and you notify the credit card company immediately, the most you would typically be liable for is $50 of the unauthorized spending. Many companies currently waive this fee, however.
• **Ties up future income.** When you use credit, you owe money that must be paid back from income you have not yet earned. This may make it more difficult to deal with unexpected events and emergencies.

• **Can encourage overspending.** You may buy more than you can pay for, and may even buy things you do not need.

• **Can lead to major financial problems** if poorly managed.

**Number of Cards**

Having too many credit cards can lead to overspending. Generally, consumers want at least one widely accepted card, which also can be used for identification and services.

**Types of Credit**

• **Bank Cards**, such as Visa, MasterCard, and Discover, are sponsored by an individual bank. The bank defines a spending limit, sometimes called credit lines, and each bank offers different terms and conditions.

• **Company or Retail Store Cards**, such as Sears, J.C. Penney, and Gas Companies. Typically, these cards are only accepted by the specific company and do not have annual fees. However, the terms and conditions of these cards do vary.

• **Travel and Entertainment Cards**, such as Diners Club. These cards typically have no pre-determined spending limit and must be paid in full each month. They usually have an annual fee.

• **Utilities**, such as Electricity, Gas, and Telephone, allow you to use the product and then pay at the end of the month. Note these are typically not listed on your credit report, nor do they affect your score, unless you have missed payments and are in collections.

**Qualifying for Credit Cards**

The following are examples of positive signals you may show a creditor. These typically increase the chances you will be approved.

• No major blemishes on your credit report such as a bankruptcy, repossession, or a 90-day delinquency

• Active accounts that show your information is valid (at least two active open accounts including one that has been open for at least two years)

• Consistent payments of at least the minimum amount and no recent late payments

• A verifiable address

• No more than 50% of your available credit lines are used.

Apply for a credit card for which you think you are a good candidate. For example, if you have no credit, look for a credit card that is advertised for first-time users.

**Denied Credit**

The following are negative signals you may be sending a potential creditor, which may reduce your chances of approval:

• Too much outstanding debt

• Too little time in current job or at current address

• Unreasonable purpose for requesting credit

• Co-signer cannot take on additional debt

• Errors on credit report

If denied credit, you have the right to get a free credit report.

**Evaluating Credit Cards**

Use the credit card comparison worksheet in FY1066, *YOU and YOUR CREDIT: Managing Your Credit*, to evaluate different credit cards for the card costs, terms, and options. Then list the features best suited to your needs and spending habits. You can analyze each credit card with this information and select the right credit card for you. Printed solicitations must display the following information in easy-to-read type in a disclosure box.

**Credit Card Terms**

When selecting a credit card, the following credit terms and conditions are important because they affect the total cost of credit:

• **Annual Fee**: A flat, yearly charge similar to a membership fee that could range from $18 to $500. Nonetheless, many credit cards do not require an annual fee.

• **Annual Percentage Rate**: The APR is the measure of the cost of credit expressed as a yearly rate. It may be fixed or variable. If it is variable, this is typically tied to an interest rate index.

• **Finance Charge**: The total cost of credit, which includes interest, late fees, over-the-limit fees, other fees, etc.

• **Grace Period**: Number of days allowed for payment in full to avoid interest.
Credit card balances are usually calculated in the following four main ways:

- **Average daily balance, excluding new purchases.** This balance is calculated by adding the outstanding balance for each day in the billing cycle, and then dividing by the number of days in the cycle.

- **Average daily balance, including new purchases, which have a grace period.** This balance is calculated by adding the outstanding balance (including new purchases and deducting payments) for each day in the billing cycle, then dividing by the number of days. The grace period only takes effect if the balance from the previous billing cycle was zero.

- **Average daily balance including new purchases with no grace period.** The balance from the previous cycle and all new charges in the current billing cycle are included in the balance calculation even if the previous month’s balance was paid in full.

- **Two-cycle average daily balance including new purchases.** Several issuers use the two-cycle average daily balance method. It is used primarily to back-charge interest on a balance on which no finance charges were paid (because the previous balance was zero). This method is not favorable to consumers, especially if they are trying to pay off their credit balance. In essence, you must pay off your balance for at least two months to avoid finance charges.

Extra charges may include:

- **Late Payment:** Your payment arrives after the due date. When this happens, you can lose a low introductory rate or trigger a higher default rate.

- **Over the Credit Limit:** Any amount charged over your credit line will trigger a fee.

- **Cash Advances:** It is not a good idea to use your credit card for cash advances. The interest rate is higher than when you use your card for purchases, and there is usually no grace period for a cash advance. Often, the interest begins accruing before you even receive the money.

**Read the fine print after the disclosure box.** There may be additional fees. Your interest rate may be changed at any time for any reason. For instance, even with a fixed-rate card, the rate can still be increased if you miss a payment.

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**Your Responsibilities**

- **Assess** your financial situation and **determine** how much you can repay monthly.

- **Understand** the total cost of credit.

- **Keep** copies of your transactions and **compare** with your monthly statement.

- **Remove** and **destroy** all credit card carbons; these are not common but you may encounter them.

- **Do not give** your credit card numbers to anyone who has initiated a phone call or via the Internet.

- **Pay** bills on time and **notify** creditors if you cannot pay on time.

- **Inform** your creditors of any billing errors.

- **Make** a list of all credit card account numbers and the issuer’s telephone numbers.

**Card Canceling Procedure**

- **Cancel** AFTER the card is paid in full.

- **NOTIFY** the card issuer by phone.

- **FOLLOW UP** with a letter and send by certified mail or request a return receipt. The letter should say that you are closing your account and that you want your credit report to reflect that it was closed per your request.

- **PROVIDE** your name, address, and account number.

- **CHECK** your credit report.

Wait a month or two, then get a copy of your credit report and make sure it says, “Closed at customer’s request.” You do not want your report to say “Account closed by creditor,” because that reflects negatively on you. Credit bureaus report what creditors tell them. If your credit report is inaccurate, ask the creditors to correct inaccuracies and
update the credit bureaus. You should follow up with the credit bureau to verify this is done. Experts recommend that you check your credit report annually to spot inaccuracies and detect identity theft problems. Note this does not always improve one’s score but can eliminate a source of temptation.
YOU and YOUR CREDIT: Managing Your Credit

Joan P. Elmore, Sarah M. Ellis, Michael S. Gutter, and Travis P. Mountain

How much debt can you realistically carry?
The debt service-to-income ratio compares your total annual debt repayments (including rent or mortgage) to your gross annual income (income before taxes and any deductions). A desirable ratio is .36 or less. For example, a household earning $40,000 annually should not have debt payments totaling over $14,400 per year.

How much credit can you afford?
Your gross income $ 
36% of your gross income $ 

Source: USDA Rural Development

Credits: lovelyday12 / iStock / Getty Images Plus
Credit Card Worksheet.
This worksheet can help you analyze your credit cards, costs, terms, conditions and your needs to select the best credit card(s) for you.

<table>
<thead>
<tr>
<th>INTEREST APR's</th>
<th>Card A</th>
<th>Card B</th>
<th>Card C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Advances</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance Transfers</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| INTEREST RATE           |        |        |        |
| Fixed                   |        |        |        |
| Variable                |        |        |        |
| Introductory            |        |        |        |
| Tiered                  |        |        |        |

| GRACE PERIOD IF YOU:    |        |        |        |
| Carry a balance         |        |        |        |
| Pay off balance each month |      |        |        |
| Cash advances           |        |        |        |

| FINANCE CHARGE—HOW COMPUTED: |        |        |        |
| Average Daily Balance     |        |        |        |
| Two-cycle Billing         |        |        |        |
| Minimum finance charge    |        |        |        |
| Other                     |        |        |        |

| ADDITIONAL FEES          |        |        |        |
| Late Fees                |        |        |        |
| Over the Limit           |        |        |        |
| Annual                   |        |        |        |
| Other                    |        |        |        |
| Other                    |        |        |        |
| Other                    |        |        |        |

| OTHER FEATURES           |        |        |        |
| Rebates                  |        |        |        |
| Frequent flyer miles     |        |        |        |
| Insurance                |        |        |        |
| Other                    |        |        |        |

Source: Federal Reserve Bank
Inventory of Credit Cards and Loans. It is important to keep this information in a secure place with your other valuable papers in case of an emergency like fire, hurricanes, etc.

<table>
<thead>
<tr>
<th>Creditor Name/address</th>
<th>Account #</th>
<th>Phone #</th>
<th>Interest Rate</th>
<th>Current Balance</th>
<th>Due Date</th>
<th>Monthly Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

Total Monthly Amount: ____________
Date of Inventory: ______________
Additional Comments

A Closer Look at the Cost of Credit—The Minimum Payment Trap

Making Minimum Payment (4% of amount borrowed)

<table>
<thead>
<tr>
<th>ITEM</th>
<th>RETAIL PRICE</th>
<th>APR</th>
<th>INTEREST PAID</th>
<th>REALLY PAID FOR ITEM</th>
<th>YEARS TO PAY OFF</th>
</tr>
</thead>
<tbody>
<tr>
<td>TV</td>
<td>$500</td>
<td>18%</td>
<td>$216</td>
<td>$716</td>
<td>4 years, 11 months</td>
</tr>
<tr>
<td>Computer</td>
<td>$1,000</td>
<td>18%</td>
<td>$516</td>
<td>$1,516</td>
<td>7 years, 3 months</td>
</tr>
<tr>
<td>Furniture</td>
<td>$2,500</td>
<td>18%</td>
<td>$1,416</td>
<td>$3,916</td>
<td>10 years, 3 months</td>
</tr>
</tbody>
</table>

This chart assumes you are not making additional purchases and you are making payments on time. You can call your credit card company and ask them for the number of years it will take to pay off the current balance if you only make the minimum payments.


<table>
<thead>
<tr>
<th>ORIGINAL BALANCE</th>
<th>APR</th>
<th>MONTHLY PAYMENTS</th>
<th>TOTAL # OF MONTHLY PAYMENTS</th>
<th>TOTAL YEARS TO PAY OFF</th>
<th>TOTAL OF PAYMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,500</td>
<td>18%</td>
<td>Minimum</td>
<td>123</td>
<td>10 years</td>
<td>$3,916</td>
</tr>
<tr>
<td>$2,500</td>
<td>18%</td>
<td>Minimum + $25</td>
<td>50</td>
<td>4</td>
<td>$3,258</td>
</tr>
<tr>
<td>$2,500</td>
<td>18%</td>
<td>Minimum + $50</td>
<td>33</td>
<td>3</td>
<td>$2,839</td>
</tr>
</tbody>
</table>

This chart assumes you are not making additional purchases and you are making payments on time.
Request a Lower Interest Rate

If you have been with a credit card company for several years and are in good standing, you can request a lower interest rate. The steps include:

1. **Dial the 800 number** on the back of your card.

2. **Use this sample script:** Hi, my name is (your name). I have been a credit card holder with your company for the last (number) years. My account is in good standing and I would like to continue using it. However, I would like you to consider giving me a lower interest rate on this account, or I may switch to a card with a better rate.

3. **Record the name of the person** with whom you spoke, the date, your interest rate, and then a date six months later when you can make your request again. If they refuse to give you a lower rate, try again the next day to reach someone more helpful. After successfully lowering your interest rate, wait six months and ask again.

### Record of Lower Interest Rate Inquiries

<table>
<thead>
<tr>
<th>Credit card</th>
<th>Phone number</th>
<th>Person you spoke to</th>
<th>Interest Rate</th>
<th>Date</th>
<th>Date to call again</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
</tbody>
</table>

Source: Bankrate.com

**Balance Transfers—Know What You Are Getting**

Transferring a high-interest card to a card with a low rate can save a bundle of cash and speed up your path to lower your debt. But be careful. The rules are different for each card.

a. **Check the time limit.** Most interest rates last only 6–9 months, then revert to a more traditional rate.

b. **Know what the interest rate really covers.** Does it cover just the balances transferred? Many exclude any new purchases made. The credit card company will apply all of your payment to the zero or low-rate balances first, until they are paid off. That means your new purchases will continue to revolve on the card and rack up the higher interest cost.

c. **Beware of the hefty fees.** Most cards have a balance transfer fee. The cost varies, so check it out. You want to consider only those cards that have a cap on their transfer fees.

d. **Watch out for the bait and switch.** Just because you applied for the zero percent rate doesn’t mean you’ll get it. Card companies will sometimes issue you the card but assign a higher rate if your credit score is low. Be sure to READ the agreement terms that come with the card before you transfer a balance or make a purchase.

e. **Always pay on time.** The zero rate or low rate will disappear the minute you are late. The interest rate can be bumped up to as high as 30 percent plus the late fee.

**Remember, while a balance transfer is pending, continue to make minimum payments by the due date to the old card. When you receive a billing statement from the old card, make sure it has a zero balance.**

A helpful online tool is PowerPay. This tool helps consumers organize their debts and make decisions about debt management, payoff schedules, consolidation, and how to most efficiently use additional funds to reduce debt. The program is available at [http://www.powerpay.org](http://www.powerpay.org). Your local UF/IFAS Extension agent can help you get your information organized and interpret the program results.
### Table 6. Worksheet for Balance Transfer

<table>
<thead>
<tr>
<th>OLD CARD</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Toll-free # for customer service</td>
<td></td>
</tr>
<tr>
<td>Account #</td>
<td></td>
</tr>
<tr>
<td>Balance</td>
<td>$</td>
</tr>
<tr>
<td>APR</td>
<td>%</td>
</tr>
<tr>
<td>Grace period</td>
<td>days</td>
</tr>
<tr>
<td>Due date</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NEW CARD</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Toll free # for customer service</td>
<td></td>
</tr>
<tr>
<td>Account #</td>
<td></td>
</tr>
<tr>
<td>Balance</td>
<td>$</td>
</tr>
<tr>
<td>Introductory APR</td>
<td>%</td>
</tr>
<tr>
<td>Date introductory rate expires</td>
<td></td>
</tr>
<tr>
<td>Date balance transfer APR expires</td>
<td></td>
</tr>
<tr>
<td>APR after introductory rate expires</td>
<td>%</td>
</tr>
<tr>
<td>APR after late payments</td>
<td>%</td>
</tr>
<tr>
<td>Balance transfer fee</td>
<td>$</td>
</tr>
<tr>
<td>Annual fee</td>
<td>$</td>
</tr>
<tr>
<td>Grace period</td>
<td>days</td>
</tr>
<tr>
<td>Due Date</td>
<td></td>
</tr>
</tbody>
</table>
YOU and YOUR CREDIT: Credit Reports

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Credit Report Basics
Whether or not you are considering making a major financial move, it’s a good idea to check your credit report. It’s best to find out if you have a credit problem before you need credit! That way you can know about any problems and take care of them before they jump up and derail your plans.

If you’ve made mistakes in paying previous loans, made late payments, or had other problems, you may still be able to reduce the amount of damage they will do to your credit by explaining special circumstances to the potential lender, especially for major installment loans.

Free Credit Report
The Fair Credit Reporting Act (FCRA), along with the 2003 amendment known as the Fair and Accurate Credit Transactions Act (FACT Act or FACTA), gives you the rights to do the following:

- Learn what your credit record contains.
- Correct inaccurate or incomplete information.
- Obtain a free credit report every 12 months from each of the three nationwide consumer credit reporting agencies (CRAs)—Experian, TransUnion, and Equifax.

Under FACTA, consumers are able to access their credit report via mail, telephone, or through the government-authorized website, annualcreditreport.com.

The three credit bureaus are:

Equifax
PO Box 740241
Atlanta, GA 30374
1-800-685-1111
http://www.equifax.com

TransUnion
2 Baldwin Place
PO Box 1000
Chester, PA 19022
1-800-888-4213 or 1-800-916-8800
http://www.transunion.com

Experian
PO Box 2104
Allen, TX 75013
1-888-397-3742
http://www.experian.com

When you request your credit report, you will need to provide your full name (including birth name), spouse’s name, Social Security number, date of birth, and complete addresses for the past five years. You will also be asked...
security questions to prove that you are who you say you are to avoid identity theft issues.

An example of such a question could look like, “What is the account numbers for three current credit cards?”

It is important to note that with these free credit reports, you will not receive an actual score, often referred to as a credit score or a FICO (Fair Isaacs & Company) score. Through annualcreditreport.com, you can access your FICO score for a small nominal fee. Make sure your report is accurate before paying for your score.

**Credit Report Outline**

A credit report consists of four basic sections:

- Identifying Information
- Public Records
- Credit History
- Inquiries

**Identifying Information** is just that—information to identify you. Look at it closely to make sure it is accurate. Other information might include your current and previous addresses, date of birth, telephone numbers, driver’s license number, your employer, and your spouse’s name.

**Public Records**: This includes information in public records, such as judgments, bankruptcies, and other court proceedings of a financial nature, including tax liens.

**Credit History**: Each account will include the name of the creditor and the account number. You may have more than one account from a creditor; if you move, the creditor will transfer your account to a new location and assign a new number. When you open an account, the kind of credit (installment, mortgage, car loan, or revolving, store credit card) is reported. It includes the following:

- Name under which the account is listed (your name or names, if it is listed jointly with another person), total amount of the loan, credit limit, and the highest balance on the card
- How much you owe and how well you’ve paid the account
- Status of the account (open, inactive, closed, paid, etc.)

On Experian’s credit report, your payment history is written in plain English with phrases such as “never pays late,” “typically pays 30 days late,” etc. “Charged off” means the creditor has given up.

**Inquiries**: The report provides a list of everyone who has asked to see your credit report. Inquiries are divided into two sections:

- **Hard inquiries** are ones you initiated by filling out a credit application. The more inquiries of this type, the more potential there is for debt.
- **Soft inquiries** are from companies that want to send out promotional information to a pre-qualified group or from current creditors monitoring your account.

Certain types of inquiries actually *lower* your credit score. Inquiries that can decrease your FICO score usually come from creditors that you have asked for new or more credit.

**Correcting Billing Errors**

The Fair Credit Billing Act requires creditors to correct errors promptly and without damage to your credit rating. The law defines a billing error as follows:

- Something you didn’t buy
- Something that is not properly identified on your bill or is for a different amount
- Something that you did not accept on delivery or that was not delivered
- Arithmetic errors
- Bills not to your current address, if you told the creditor about an address change at least 20 days before the end of the billing period. The process takes time — creditors have 30 days to respond to the discrepancy.

When a charge is in dispute, then that dispute will show up on your report. Experienced lenders say it’s common for reports to have errors. Some estimate that as many as 80% of all credit reports have some kind of misinformation. Any error that you find must be investigated by the credit bureau with the creditor who supplied the data.

The credit bureau will remove any errors from your credit report that a creditor admits are there. If you disagree with the findings, you can file a short statement (sample form included) in your report giving your side of the story. Future reports to creditors must include this statement or a summary of it.

Once you have written about a possible error, a creditor must not give information to other creditors or credit bureaus that would hurt your credit reputation until the matter is resolved. Until your complaint is answered and while the investigation is ongoing, the creditor may not take any action to collect the disputed amount.
In order to correct these errors, consumers can file credit report disputes via regular mail, telephone, or email. Using email is highly recommended because the process is faster and you have the option to track the status of your dispute.
### PERSONAL INFORMATION

<table>
<thead>
<tr>
<th>Date of Report: 6/01/2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name:</td>
</tr>
<tr>
<td>Social Security #:</td>
</tr>
<tr>
<td>Date of Birth:</td>
</tr>
<tr>
<td>Current Address:</td>
</tr>
<tr>
<td>Previous Address:</td>
</tr>
<tr>
<td>Current Employer(s):</td>
</tr>
<tr>
<td>Previous Employer(s):</td>
</tr>
</tbody>
</table>

### ACCOUNT SUMMARY

<table>
<thead>
<tr>
<th>Open Accounts</th>
<th>Closed Accounts</th>
<th>Total Credit Limit</th>
<th>Payment History</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>1</td>
<td>$4000</td>
<td>2–30 days late; 1–60 days late</td>
</tr>
</tbody>
</table>

### PUBLIC INFORMATION

- **Satisfied Judgment**
  - Date Filed: 11/96
  - Miami-Dade County
  - Ref/Case #: 027739
- **Defendant:** Consumer
- **Plaintiff:** Morthsun Credit
- Amount: $2,103
- Satisfied: 02/97

### CURRENT ACCOUNT INFORMATION

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Account #</th>
<th>Credit Limit</th>
<th>Date Opened</th>
<th>Status</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Union Savings</td>
<td>1268855</td>
<td>Individual</td>
<td>06/20/87</td>
<td>Good Standing</td>
<td>3650.20</td>
</tr>
</tbody>
</table>

### CREDIT ACCOUNT INFORMATION

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Account #</th>
<th>Credit Limit</th>
<th>Date Opened</th>
<th>Status</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Max</td>
<td>676741</td>
<td>$3000</td>
<td>01/05/99</td>
<td>Past Due</td>
<td>331.97</td>
</tr>
<tr>
<td>Gas Card Company</td>
<td>32281</td>
<td>$1000</td>
<td>06/98</td>
<td>Current</td>
<td>24.20</td>
</tr>
</tbody>
</table>

### CLOSED ACCOUNT INFORMATION

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Account #</th>
<th>Credit Limit</th>
<th>Date Opened</th>
<th>Status</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depart Store</td>
<td>7789003</td>
<td>$1500</td>
<td>01/05/99</td>
<td>Closed 03/16/99</td>
<td>0.00</td>
</tr>
</tbody>
</table>

### REQUEST FOR YOUR CREDIT HISTORY

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Date Requested</th>
<th>Company Name</th>
<th>Date Requested</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit See</td>
<td>02/15/03</td>
<td>Home Build Stored, Inc.</td>
<td>09/06/02</td>
</tr>
<tr>
<td>New Gas Co.</td>
<td>09/26/02</td>
<td>Banc Nine</td>
<td>08/29/02</td>
</tr>
</tbody>
</table>

### INQUIRIES

<table>
<thead>
<tr>
<th>Date Requested</th>
<th>Company Name</th>
<th>Date Requested</th>
<th>Company Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>08/06/00</td>
<td>Bureau Disclosure</td>
<td>12/27/01</td>
<td>Department Store</td>
</tr>
<tr>
<td>03/01/01</td>
<td>Bank card</td>
<td>1/23/01</td>
<td>Bank card</td>
</tr>
</tbody>
</table>
Sample Request for Additional Credit Report

To: (Write the name and address of the credit bureau)

I am writing to request a copy of my credit report. (Check one.)

_______ I have been rejected for credit in the past 60 days. A copy of the letter refusing me credit is enclosed. Please send me a free report.

_______ I am enclosing a check or money order for $_______.

(Required information)

My full name is ____________________________

My Social Security number is ____________________________

My home address is ____________________________

To show my address, I have enclosed a photocopy of (Check one.)

_______ driver’s license or state ID card.

_______ utility bill or credit card bill mailed to my home address.

(Complete only the items that apply to you.)

I have also lived at these addresses in the past 5 years:

_____________________________________________________________________

My spouse’s name is ____________________________

I may have also had credit under these names: ____________________________

_____________________________________________________________________

_____________________________________________________________________

Signature (required)
Sample Dispute Letter

Date
Your Name
Current Address
City, State, Zip Code
Complaint Department
Credit Bureau Credit Information Services
Address
City, State, Zip Code

Dear Sir or Madam:

I am writing to dispute the following information in my file. The items I dispute also are circled on the attached copy of the credit report I received.

The lien filed on 09/2/95 and bankruptcy filed on 10/94 are inaccurate because I never had a lien or bankruptcy filed. I am requesting that these items be deleted to correct the information.

Please investigate these matters and delete the disputed items as soon as possible.

Sincerely,

Your Name

Enclosures: Credit report copy
Sample Credit Complaint Form

Name: ___________________________ Date: ______________

Address: ____________________________________________

City/State/Zip: _______________________________________

Daytime Telephone: ____________________________

Bank/Creditor: ___________________________ Account Number: __________________

Address: __________________________________________

City/State/Zip: ______________________________________

Complaint Involves:

_____ Checking Account  _____ Collection Agency  _____ Credit Card

_____ Credit Report  _____ Credit Union  _____ Department Store Charge

_____ Loan/Auto Loan  _____ Savings Account  _____ Other

_____ I have not tried to resolve this complaint directly with those involved.

_____ I have tried to resolve this complaint directly with those involved.

The name of the person contacted is: ________________________________

Date: _______________ Telephone: ________________________________

My complaint (describe briefly, use dates, names, etc., and also enclose copies of documentation):

________________________________________________________

Signature ___________________________ Date _______________________

Source: Institute of Consumer Financial Education, San Diego, CA 92163
Sample Form Letter

Re: Credit Report Error

Dear Sir or Madam:

I have discovered inaccurate information on my credit report maintained by ________________________.

(Credit agency name)

The report is in my name, ________________________, and my Social Security number is ________________________.

Enclosed please find a copy of my credit report containing the mistaken data. I have highlighted the errors. Specifically, the following information is incorrect:

Company name: ________________________

Account number: ________________________

Incorrect information: ________________________

This is incorrect because: ________________________

Please investigate the matter with the creditor in question; and should you find there is an error, when confirmed please remove this error from my credit report.

In addition, please make this letter a permanent part of my credit report.

If you have any question about my request or the credit information in question, please do not hesitate to call me at ________________________.

Thank you for your prompt attention to my request.

Your Signature

Your Typed Name

Your Address

City, State, and Zip Code

Enclosure: copy of credit report

Source: Bankrate.com, 2007
YOU and YOUR CREDIT: Credit Scores
Joan P. Elmore, Sarah M. Ellis, Michael S. Gutter, and Travis P. Mountain

Credit Scoring
Credit scoring is designed to give lenders a fast, accurate prediction of the risk involved in giving you a loan. Scores range from 300 to 850, with the vast majority of people falling in the 600s and 700s. The higher the score, the more access to credit and better borrowing rate you will have.

FICO Score
The following five characteristics separate the cream of the crop from everyone else:

- **(35%) Payment History.** People who have failed to make payments in the past tend to do the same in the future.
- **(30%) Amounts Owed.** Someone who is maxing out or close to the limit on a credit card is considered a greater risk. Keep debt-to-limit ratio below 50%.
- **(15%) Length of Credit History.** Assumes people who have had credit for a long time are less risky.
- **(10%) New Credit.** The system frowns upon those who have initiated several requests for credit cards, loans, or other debt instruments over a short period.
- **(10%) Types of Credit Used.** Consumers are expected to have a few of each, but too much of either one can negatively affect your score.

1. This document is FCS7233, one of a series of the Department of Family, Youth and Community Sciences, UF/IFAS Extension. Original publication date September 2008. Revised April 2013, May 2016, and March 2019. Visit the EDIS website at https://edis.ifas.ufl.edu for the currently supported version of this publication.

2. Joan P. Elmore, former Extension agent IV, UF/IFAS Extension Jackson County; Sarah M. Ellis, Extension agent I, UF/IFAS Extension Citrus County; Michael S. Gutter, associate dean and associate professor; and Travis P. Mountain, former lecturer, Department of Family, Youth and Community Sciences; UF/IFAS Extension, Gainesville, FL 32611.

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U.S. Department of Agriculture, UF/IFAS Extension Service, University of Florida, IFAS, Florida A & M University Cooperative Extension Program, and Boards of County Commissioners Cooperating. Nick T. Place, dean for UF/IFAS Extension.
On installment loans, such as a car payment, a person borrows money once and makes fixed payments until the balance is gone. With revolving credit, such as a credit card, borrowers have a line of credit to use and make regular payments.

**Your Credit Score**
You can use your credit score to improve your credit worthiness and negotiate for the best possible terms. The credit history is what you see when you get a copy of your credit report. If you know you have a low score because you have not established a credit history or you have a blemished credit record, you can take a few steps to build it up:

- Pay your bills on time.
- If you have missed payments, get current and stay current.
- Know how much you owe; keep balances low; and pay off debt rather than moving it around.
- The length of your credit history/age of account(s) matters—usually the older it is, the better because this offers lenders a clearer picture of your credit worthiness. Another option available to potential borrowers with low credit scores is to ask a lender to review your history of alternative routine payments such as rent and utilities that demonstrate your ability to pay. This is less commonly available today but some lenders may consider it.

**RED FLAGS** potential lenders look for in your credit report may include:

- Late payments
- Recent credit inquiries
- Underpaying
- Liens
- Overextended credit
- Paycheck garnishments
- Bankruptcy

**Less-Than-Perfect Credit**
The first step is to understand if you are considered a credit risk. Most lenders will consider you a higher credit risk if your credit report states that you have more late and slow payments than stated in the categories given below:

- **Revolving credit (credit cards)**: You should have no payments 60 days or more past due and no more than two payments 30 days past due.
- **Installment credit (car loans)**: You should have no payments 60 days or more past due and no more than one payment 30 days past due.
- **Housing debt (mortgages and rent)**: You should have no payments past due.

Copies of canceled checks for the past 12 months or a loan payment history from the mortgage provider can prove payment history. If your credit report is less than perfect, you will need to consider the following:

- **All late payments** must be explained. Contrary to popular belief, good credit does not necessarily mean perfect credit. If your credit reports show any 60- to 90-day late payments, you may need to seek out a lender that specializes in less-than-perfect credit.
- **Know your credit limit**, which is based on your income, the amount of your current debt and your credit history. Your credit limit is the amount of credit you have available to you.
- **Creditors look** at how deeply you **COULD** go into debt when they review your record. If you have several cards you do not use that have high credit limits, potential lenders worry that you will go on a shopping spree and overextend yourself.
- **Pay against your balance** as soon as you can. It is important not to let your bills hang around. Late charges will be assessed, a negative rating will hit your credit file, and more interest charges will accrue.
- **If you are unable to make your payments** on time, or you want to dispute a charge, contact your card issuer immediately. Above all, get everything in writing.

**Clean Up My Report**
For severe financial problems, contact one of the personal credit counseling organizations, such as Money Management International at 1-866-889-9347 or online at [http://www.moneymanagement.org/](http://www.moneymanagement.org/). Understand that a bad credit record will haunt you for years.

The general guidelines for cleaning up your credit report include:

- Contact credit agencies via [http://www.annualcreditreport.com](http://www.annualcreditreport.com) to get a copy of your report.
- Contact lenders to renegotiate payment plans.
- Pay bills on time.
- Limit the amount of outstanding debt.
Using credit wisely helps you to achieve many of your goals; in fact, all of us need it to obtain a home as well as other important purchases.

Having a mortgage affects two aspects of your financial management: your net wealth and your cash flow. The home will count as something that you own (asset) and the mortgage as something that is owed (liability).

As you pay down your mortgage, this will improve your net wealth. As your home increases in value, you also will improve your net wealth.

However, the mortgage payment will be a major expense. It is critical to look at your budget prior to taking on a mortgage to gauge exactly how much you can truly afford.

It is important to know your FICO score prior to meeting with lenders (Note your FICO score is your credit score, which is based on your payment history, debt capacity, length of history, number of inquiries, and types of credit being used). It can also be helpful in determining the price of home you can afford since it affects how much you can borrow.

Table 1 helps to illustrate the difference in the monthly mortgage payment for a 10-year home equity loan of $100,000 broken down by FICO score. Thus, a higher score would mean a lower interest rate; hence, you would have a lower payment or could afford to borrow more.

<table>
<thead>
<tr>
<th>Credit score</th>
<th>Interest rate</th>
<th>Monthly payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>760–850</td>
<td>3.468%</td>
<td>$713</td>
</tr>
<tr>
<td>700–759</td>
<td>3.69%</td>
<td>$724</td>
</tr>
<tr>
<td>680–699</td>
<td>3.867%</td>
<td>$733</td>
</tr>
<tr>
<td>660–679</td>
<td>4.081%</td>
<td>$744</td>
</tr>
<tr>
<td>640–659</td>
<td>4.511%</td>
<td>$766</td>
</tr>
<tr>
<td>620–639</td>
<td>5.057%</td>
<td>$794</td>
</tr>
</tbody>
</table>

1Rates as of February 13, 2019 from myFICO.com
One last issue that often arises with home ownership is the desire to fill every room in the home with furnishings. This tends to be another popular use of credit when purchasing a home. It is critical to avoid this trap. Taking on too much consumer debt too soon can leave you unprepared for the unforeseen expenses that tend to come up when buying a home.
YOU and YOUR CREDIT: Further Resources

Joan P. Elmore, Sarah M. Ellis, Michael S. Gutter, and Travis P. Mountain

1. To learn more, visit your local library or UF/IFAS Extension office and check out the following resources:

Bankrate, Credit Management, 2007 bankrate.com

Money Smart, Federal Deposit Insurance Commission, 2006 www.fdic.gov/consumers/consumer/moneysmart


Apps for Money Management

Prosper Daily
Prosper Daily has a special emphasis on fraud protection. This app allows people to monitor spending across multiple accounts, track credit score, and get goal alerts. Prosper Daily links to actual accounts with bank level security and has unique features to protect cards from fraud and unwanted charges.

Mint
Mint is a powerful tool for households with complicated financial situations. Pull all your accounts, credit cards, and investments into one place to track spending, create a budget, and set spending and savings goals. You can receive tailored alerts via text or e-mail.

Credits: danielfela/istockphoto.com
Apps for Debt Elimination

PowerPay
PowerPay is only available on Apple devices. Designed by Utah State, PowerPay helps eliminate debt. This app is a powerful tool that can help people to learn how to become debt-free and save money by reducing interest costs.

ReadyForZero
ReadyForZero helps reduce debt while tracking your credit score. This app provides reminders and notifications as well as rewards for progress to help keep you motivated and on track.

Apps for Credit Monitoring

Credit Karma
Access your free TransRisk score from Transunion weekly. Receive feedback on how to improve each category that affects your credit as well as alerts from Transunion.

Credit Sesame
Access your free Experian National Equivalency score weekly. There are special features for homeowners and student borrowers. Bank level encryption ensures your information is secure.