

# What You Need To Know About Credit

Credit is money that you borrow and pay back over time with interest. It allows you to buy now and pay later. Your credit history is a record of what you have borrowed and how you have repaid it. Paying your creditors on time will help you to build a good credit record. Late or sporadic payments will result in a poor credit report, but paying on time and not overextending your credit will result in a positive credit report.

## Why Good Credit is Important

- It can determine where you live.
- It can determine the interest rate for a loan or credit card; a higher interest rate is often more difficult to pay back.
- It can determine how much you will pay for insurance.
- It can determine if you get a job.

## How to Establish or Re-Establish Credit

- Have a relationship with a bank or credit union.
- Apply for a gas, retail or secured credit card.
- Check with your financial institution to see if they offer a credit builder product.
- Seek assistance from a non-profit credit counseling agency.

## Why You Might Be Denied Credit

- No or short credit history
- Low income
- Short job history
- Overextended credit
- Slow payment history
- Judgement, repossession or bankruptcy

## What to Do If You Are Denied

- Review the reason for the denial.
- Get a copy of your credit report and check for accuracy.
- If the negative information is true, address the issue and wait for the negative information to drop off.
- If the negative information is false, fill out a dispute form and send it to the credit reporting agencies to remove it from your report.
- Seek assistance from a non-profit financial coaching or credit counseling agency.

## How to Get a Copy of Your Credit Report

- Some lenders will offer a free copy of your credit report (check with your lender or credit card company).
- Equifax, Experian and TransUnion are the three major credit reporting agencies.
- You can get a free copy of your credit report from each credit bureau once every 12 months. Call (877) 322-8228 or [annualcreditreport.com](http://annualcreditreport.com). You should never pay to access your credit report.
- Visit this website to sign up for reminder emails and learn more about obtaining and reading your credit report: [finances.extension.wisc.edu/articles/check-your-free-credit-report](http://finances.extension.wisc.edu/articles/check-your-free-credit-report).

## SMART MONEY TIPS

### Why Check Your Credit Report?

Experts recommend consumers get a copy of their credit report at least once a year. It is a good way to spot potential fraud and identify potential false information.

### Mark your calendar on 2/2, 6/6, and 10/10 every year and:

- Request a copy of your free report on those days.
- Assign one credit bureau to each day.

You can order your free reports anytime during the year, but the “2/2, 6/6, 10/10” reminder dates are a simple way to remember to pull your free credit reports regularly.

### About Credit Scores

Scores are a summary of your credit report and are calculated based on your credit information. You have the ability to influence your score by paying bills on time, not carrying too much debt, and making smart credit choices.

The two most common scores are the FICO Score and VantageScore, which pull from the same data but weight the information differently. They measure how long you’ve had credit, how much credit you have, how much of your available credit is being used, and if you’ve paid on time.

### FICO Score Breakdown

