

GETTING STARTED

Getting and keeping a good credit history

Whether you've already established a credit history or are just starting out, there are things you can do to improve and maintain your credit history.

There's no one secret formula for building a strong credit history. But there are some healthy habits you can adopt that may help you improve your credit history and keep it in good standing.

Your strategy might be different depending on if you're building a new credit history or trying to improve your existing credit history.

These strategies don't affect your credit scores right away. It takes time, so keep working on them.

What to do

- **Identify a strategy for improving and maintaining your credit history** that works for you.
- **Implement that strategy** and monitor how your credit score improves.
- Once you're done with your first strategy, **pick a new one** and keep practicing good habits to maintain a strong credit history.

A step further

Building and maintaining a good credit history is an ongoing activity. Make a habit of reviewing your credit reports each year. Pick a date you'll remember, like your birthday or a holiday. Use the "Requesting your free credit reports," "Reviewing your credit reports," and "Disputing errors on your credit reports" tools to make it easier to get your reports, review them for errors, and make corrections if needed.



Build habits for **Getting and keeping a good credit history**

1. Read the different strategies for improving and maintaining your credit history.
2. Check the box of one that you can commit to trying now.
3. Once that one is complete, try one or two more to keep improving your score.

HABIT

TIPS FOR IMPROVING YOUR CREDIT

I'll pay my loan and utility bills on time, every time.

Missing bill payments may hurt your credit scores because it may establish a poor payment history and can lead to debt collection. Help make sure your payments are on time by setting up automatic payments or electronic reminders. If you've missed payments, get current and stay current. You can use the "Bill calendar" (in Module 4) to help track when your bills are due and decide when you'll pay them.

I'll spend under my credit limit and won't get anywhere close to "maxing out" my credit cards.

Credit scoring models look at how close you are to being "maxed out," so try to keep your balances low compared to your total credit limit. Experts advise keeping your use of credit (credit utilization) at no more than 30 percent of your total credit limit.

If you close some of your credit card accounts and put most or all of the balances onto a single card, your total credit limit may be lower than before. If doing this means that you're using a higher percentage of your total limit than you were before, it may hurt your credit scores because it's increasing your credit utilization. In some cases, it's better to leave credit cards open even if you don't use them, to increase your total credit limit. But it depends on how many cards you have and if you can avoid using all of them.

I'll pay off my credit card balance on time each month.

If you use credit cards, try to pay your balances off each month. Paying off the balance each month may help you get better scores. You'll build a credit history by paying it off on time and keeping your balance low. Think about setting up text alert reminders for when your bill is due, to help you pay on time.

I'll only apply for credit that I need.

Credit scoring formulas look at your recent credit activity as a signal of your need for credit. If you apply for a lot of credit over a short period of time, it may appear to lenders that your economic circumstances have changed for the worse.

I'll make sure that negative information on my credit reports (like judgments, bankruptcies, or evictions) is accurate.

If it's not accurate or if it's listed multiple times, submit a dispute with the credit reporting company and the company that provided the information (the furnisher). You can use the "Disputing errors on your credit reports" tool to get started.

I'll use credit building products to establish a credit history if I'm new to using credit.

Secured credit cards can be a way to build a positive credit history if you're just starting out. You typically need to provide the deposit upfront, so you'll need to have enough money saved for the deposit before you open one. Because credit limits tend to be low with these cards, be sure to watch your credit utilization rate and avoid getting too close to using the full limit.

Credit builder loans help you avoid taking on debt while you build a positive payment record. With some loans, you make monthly payments first, and receive the loan amount when it's paid off.

These loans can be very effective in creating new history and can have a positive affect on your credit reports and scores.

Some non-profit organizations provide access to secured credit cards or credit builder loans. Be sure to ask about the terms, just like you would ask a bank or credit union for details about its products.

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