

ENCLOSED:

Titles are links to location in document.

- Managing Consumer Credit Disputes: Best Practices for Consumers, *Credit Builders Alliance*
- Fair Credit Reporting Act Handout, *American Financial Solutions*
- How Do I Dispute an Error On My Credit Report, *Consumer Financial Protection Bureau*
- Not All Credit Builder Loans are Equal, Here's How to Choose, *American Financial Solutions*
- How to Spot and Avoid Predatory Financial Products, *American Financial Solutions*
- FDIC Money Smart for Adults: Section 5: Build, Repair, and Maintain a Productive Credit History, *FDIC*

What you need to know about disputes:

Disputing incorrect information
is good for your credit! **But**
beware of misinformation and
scams around credit repair!



Disputing inaccurate information that you find on your credit report is a great first step towards building strong credit. Understanding how to dispute is also an important skill for to sustain healthy credit over the long-term. Work with a coach and make sure that you are only disputing items that are actually incorrect. Trying to dispute valid debts in order to improve credit scores is considered a fraudulent practice in the credit industry. Stay away from credit repair companies that can actually do you more harm than good.

Mythbusters:

- ✖ **Myth:** If you dispute a negative item on your report it will disappear temporarily and you can get your application approved before it reappears!
 - **Fact:** Accounts that are currently in dispute may temporarily not impact a credit score, but it will still show up on the report. This is not an appropriate strategy for trying to seek loan approval.
- ✖ **Myth:** You need to dispute each mistake with each bureau.
 - **Fact:** If an account that is disputed is listed on reports from multiple bureaus, the bureau that you dispute with will inform the others to remove the account.
- ✖ **Myth:** You can't dispute everything on one credit report with just one letter.
 - **Fact:** You can list everything that you would like to dispute on a credit report in one single letter. For best results also include a copy of the report with your dispute letter, circling everything that is inaccurate.
- ✖ **Myth:** You can require documentation from the bureaus for anything on your report you don't recognize.
 - **Fact:** The credit bureaus cannot provide you with documentation about the validity of any of your information. If you are seeking proof that you owe a debt, you will need to request a debt validation directly from the creditor that is listed on the report. If that creditor is unable to validate your debt, you can dispute it with the bureaus.

This document may not be fully accessible in its current format. Email training@creditbuildersalliance.org for further accommodations.

FCRA:

Understanding Your Rights

- You have the right to receive one free copy of their credit report from each Consumer Reporting Agency each year. This has been extended to once/week through April of 2022.
- You have the right to be informed if you are denied for a loan or receive unfavorable terms because of negative information on your credit report.
- You have the right to dispute information believed to be incorrect with credit bureaus **and/or** with the original furnisher.
- You have the right to receive a new free copy of a credit report if you dispute something successfully.

Watch out for Fraudulent Advice/Strategies:

- ! Paying off collections and asking creditor to remove the account – or paying extra fee to have a collections agency remove and account (**Violates FCRA accuracy requirement**)
- ! Dispute anything negative on your report and most will probably fall off, even if they are accurate (**FRAUD!!**)
- ! Create a new credit identity with an Employer Identification Number (EIN) instead of your SSN for a fresh start (**FRAUD!!**)
- ! Buy an “Authorized User” position on a stranger’s credit card who has a good payment record to boost your own score (**FRAUD!!**)

Best Practices

Be Proactive!

- Stay away from Credit Repair scams that want to charge money for things they can do themselves or for fraudulent disputing tactics! Credit Repair Organizations often charge hundreds of dollars for their services and make promises that they can’t uphold. Watch out for these red flags:
 - ! Anyone who promises changes (to your credit score)
 - ! Anyone who charges up front for services
 - ! Anyone who asks you to bring your own report – this means the credit bureaus don’t see them as reputable enough to sell them reports directly!
 - ✓ Only work with certified credit counselors and coaches at trusted nonprofits to provide a healthy alternative
- Review your free annual credit report each year, and work with a coach to identify important credit action plan steps
- Keep records of credit reports pulled and anything that might be inaccurate.

What Helps Ensure Resolution?

- When sending a dispute, keep records of when it was sent and any responses. When sending by mail, using certified mail can create a clear paper trail.
- To assist in the investigation, provide copies of any invoices, bank statements, or similar documentation showing when payments were made and for how much.
- If a furnisher changes the information, be sure to request a new free credit report if not immediately provided.

HELPFUL LINKS to learn more

To request a free annual credit report

www.annualcreditreport.com

Sample Dispute Letters

www.consumer.ftc.gov/articles/0384-sample-letter-disputing-errors-your-credit-report

Consumer Financial Protection Bureau

www.consumerfinance.gov

Fair Credit Reporting Act Overview and Selected Sections Related to Inaccurate Data

Your Rights Under Fair Credit Reporting Act

- **Access Your Reports**
 - Get a free credit report annually at AnnualCreditReport.com.
 - Additional free reports available if denied credit, on public assistance, unemployed, or a victim of identity theft.
- **Dispute Inaccuracies**
 - You can challenge incorrect or outdated info. Bureaus must investigate and correct or remove unverifiable data.
 - You may add a personal statement if needed.
- **Control Access**
 - Only those with a valid reason (e.g., lenders, insurers, employers) can view your report.
 - You have the right to know who has accessed your report in the past two years.
 - You can place a fraud alert or security freeze to protect your data.
 - If a deleted item is reinserted, credit bureaus must notify you within 5 business days.

FCRA Section 623 Highlights Relating to Inaccurate Data. This section of the Fair Credit Reporting Act outlines the responsibilities of data furnishers.

- Section 623(a)(1): This section states that those reporting information to credit bureaus should not provide information they know or have reason to believe is **inaccurate**. The FCRA requires furnishers to investigate disputes and correct or remove information found to be inaccurate or unverifiable.
- Section 623(a)(3): This section addresses the duties of furnishers when a consumer disputes information, stating that the furnisher **cannot report disputed information without also noting the dispute**.
- Section 623(a)(5): This section requires furnishers to provide the month and year a delinquency began for debts placed for collection. While this date is important, the **FCRA allows for reasonable procedures to obtain this date** if it's not initially available.

Why Deleted Items Can Reappear on a Credit Report

- Initial Deletion Doesn't Guarantee Permanent Removal
 - Items may be deleted if the furnisher doesn't respond within the 30-day dispute period.
 - However, the Fair Credit Reporting Act (FCRA) **does not require permanent deletion**.
- How Reinsertion Can Happen

Fair Credit Reporting Act Overview and Selected Sections Related to Inaccurate Data

- A furnisher may verify the information after the 30-day deadline (e.g., on day 35).
 - Credit bureaus may then reinsert the item into your credit report.
- Ongoing Reporting Triggers Reinsertion
 - If the furnisher resumes regular reporting of the account, the item can reappear even after removal.
- Your Rights
 - Credit bureaus must notify you within 5 business days if a previously deleted item is reinserted.

Consequences of Disputing Valid Debts

- **Credit Score Impact:** Disputes may lower your score or raise red flags with lenders.
- **Reduced Leniency:** Creditors may be less willing to assist if you dispute a valid debt.
- **Collection Resumes & Legal Risk:** Collections can restart, potentially leading to lawsuits or garnishment.
- **Added Fees & Interest:** Interest and fees may grow—e.g., Washington allows up to 12%.
- **Stress & Legal Costs:** Disputes may cause emotional and financial strain.

✓ Tip: Only dispute items that are inaccurate. For valid debts, talk to creditors about repayment options or work with an accredited credit counselor or financial coach.

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How do I dispute an error on my credit report?

English

[Español \(cfpb.gov/es/obtener-respuestas/como-disputo-un-error-en-mi-informe-de-credito-es-314/\)](https://cfpb.gov/es/obtener-respuestas/como-disputo-un-error-en-mi-informe-de-credito-es-314/)

You have the right to dispute errors on your credit report. Fixing an error generally means contacting both the credit reporting company and the company that provided the information.

First, dispute the information with the credit reporting company or companies

If you identify an error on your credit report, you should start by disputing that information with the [credit reporting company \(cfpb.gov/skcfpb/1251\)](https://cfpb.gov/skcfpb/1251) (Experian, Equifax, and/or Transunion). You should explain in writing what you think is wrong, why, and include copies of documents that support your dispute. You can also use our [instructions](https://files.consumerfinance.gov/f/documents/092016_cfpb_CreditReportingSampleLetter.pdf) [📄](https://files.consumerfinance.gov/f/documents/092016_cfpb_CreditReportingSampleLetter.pdf) and [template letter](https://files.consumerfinance.gov/f/documents/092016_cfpb_CreditReportingDisputeLetter.docx) [📄](https://files.consumerfinance.gov/f/documents/092016_cfpb_CreditReportingDisputeLetter.docx) as a guide.

If you mail a dispute, your dispute letter should include:

Tip

If you suspect that the error on your report is a result of identity theft, visit [IdentityTheft.gov](https://www.identitytheft.gov/) [🔗](https://www.identitytheft.gov/) (https://www.identitytheft.gov/), the federal government's one-stop resource to help you report and recover from identity theft.


- Contact information for you, including your complete name, address, and telephone number
- Credit report confirmation number, if available
- Each error you want fixed, including the account number for any account you may be disputing
- Clear explanation of why you are disputing the information
- Request that the information be removed or corrected
- A copy of the portion of your [credit report \(cfpb.gov/askcfpb/309\)](https://cfpb.gov/askcfpb/309) that contains the disputed items, with the disputed items circled or highlighted
- Copies (not originals) of documents that support your position

You can choose to send your dispute letter by certified mail and ask for a return receipt, so that you have a record that your letter was received.


You can contact the nationwide credit reporting companies online, by mail, or by phone:

Equifax

Online: www.equifax.com/personal/credit-report-services/credit-dispute/  (<https://www.equifax.com/personal/credit-report-services/credit-dispute/>)

By phone or mail: Call the phone number shown on your credit report or call (866) 349-5191. Visit www.equifax.com/personal/contact-us/  (<https://www.equifax.com/personal/contact-us/>) to find the current address you can mail your dispute to.

Experian


Online or by mail: www.experian.com/disputes/main.html  (<https://www.experian.com/disputes/main.html>) to dispute online or get instructions for how to dispute by mail.

By phone: Call the phone number shown on your credit report or call (888) 397-3742.

TransUnion

Online: [dispute.transunion.com](https://www.transunion.com/credit-disputes/dispute-your-credit?_gl=1*exgzva*_gcl_au*MTQ5ODc2NTE4MC4xNzI5ODg2MTEw*_ga*OTkyMjE5MDQ3LjE3Mjk4ODYxMTA.*_ga_6D2F5M2DQK*MTczMzc4MDQyMi4zLjEuMTczMz)  (https://www.transunion.com/credit-disputes/dispute-your-credit?_gl=1*exgzva*_gcl_au*MTQ5ODc2NTE4MC4xNzI5ODg2MTEw*_ga*OTkyMjE5MDQ3LjE3Mjk4ODYxMTA.*_ga_6D2F5M2DQK*MTczMzc4MDQyMi4zLjEuMTczMz)

c4MDUxNS40Mi4wLjA.&atvy=%7B%22257069%22%3A%22Experience+C%22%7D#mailphoneoptions)

By mail or phone: Visit www.transunion.com/credit-disputes/dispute-your-credit/mail-or-phone  (<http://www.transunion.com/credit-disputes/dispute-your-credit/mail-or-phone>) for instructions on how to dispute by mail or phone, or call (800) 916-8800, Monday – Friday 8 a.m. 11 p.m. ET, Saturday and Sunday 8 a.m. – 5 p.m. ET to dispute over the phone.


Keep copies of your dispute letter and the documents you send with it.

The credit reporting company you sent the dispute letter to must investigate your dispute, forward the dispute and all relevant information you provided to the company that provided the information about you, and report the results back to you.

A credit reporting company is not required to investigate disputes that it reasonably determines are frivolous or irrelevant, such as disputes that do not contain enough information for the CRA to investigate them (e.g., disputes that do not specify what information is being disputed). The company must send you a notice explaining that it has decided the dispute is frivolous and why it has made that determination and the notice must be sent within five business days after it made the decision.

Then, dispute the information with the company that provided it to the credit reporting companies

Credit reporting companies gather information about you from other companies called furnishers. Examples of furnishers include your bank, your landlord, and your credit card company.

To dispute the information a furnisher provided to the credit reporting company, you can use our [sample letter](https://files.consumerfinance.gov/f/documents/092016_cfpb_FurnisherDisputeLetter.docx)  (https://files.consumerfinance.gov/f/documents/092016_cfpb_FurnisherDisputeLetter.docx) as a guide. Send disputes to furnishers in writing, using certified mail. Disputes can be sent to the furnisher's address included on your consumer report or to an address specified by the furnisher for receiving credit reporting disputes. Furnishers generally must investigate and respond to your dispute within 30 days of when they receive the dispute.

If the investigation shows the furnisher provided wrong information about you, or the information cannot be verified, the furnisher must update or remove the information

Don't see what you're looking for?

Browse related questions

[What if I disagree with the results of my credit report dispute? \(cfpb.gov/askcfpb/1327\)](https://cfpb.gov/askcfpb/1327)

[What are common credit report errors that I should look for on my credit report? \(cfpb.gov/askcfpb/313\)](https://cfpb.gov/askcfpb/313)

[What do I do if I've been a victim of identity theft? \(cfpb.gov/askcfpb/31\)](https://cfpb.gov/askcfpb/31)

[Learn more about credit reports and scores \(cfpb.gov/consumer-tools/credit-reports-and-scores/\)](https://cfpb.gov/consumer-tools/credit-reports-and-scores/)

About us

We're the Consumer Financial Protection Bureau (CFPB), a U.S. government agency that makes sure banks, lenders, and other financial companies treat you fairly.

[Learn how the CFPB can help you \(cfpb.gov/about-us/the-bureau/\)](https://cfpb.gov/about-us/the-bureau/)

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An official website of the United States government

Not All Credit Builder Loans Are Equal, Here's How to Choose

People often come to us with questions about how to build—or rebuild—their credit. That conversation can go in many directions, from getting current on overdue accounts to resolving collections. But one of the most powerful steps is often the hardest: finding ways to add *positive* information to a credit report that's already taken some hits. So how do you do that when it feels like no one will give you a second chance?

One credit-building tool that's gained traction in recent years, though it's been around for decades—is the **credit builder loan**. Commonly offered by credit unions and community lenders, these loans are designed to help you build a positive payment history *without* taking on traditional debt.

Here's how it works: you make monthly payments into a locked savings account, and those payments are reported to one or more of the major credit bureaus. This helps establish a track record of on-time credit activity, *the single most important factor in your credit score*. At the end of the loan term, the funds are returned to you, minus any interest or fees.

Credit builder programs can be highly effective when used strategically to strengthen your credit profile. We often recommend them—but with an important caveat: it's essential to know what to look for before signing up. Not all credit builder services are created equal.

Below, we've outlined some common red flags and provided a side-by-side comparison of programs offered through a nationally recognized nonprofit credit counseling agency and a popular online for-profit credit-building service. This comparison is based on real information publicly available on each organization's website as of May 2025.

When Credit Builder Programs Become Predatory

While many for-profit credit builder tools can be helpful when used wisely, some cross the line into predatory territory. These are typically products that promise fast credit improvement while quietly charging high fees, offering minimal education, or creating risk without reward.

Key signs a credit builder program might not be a good choice:

- **High monthly fees or setup charges** that don't match the value of the service.
- **"Subscription-style"** billing with no real credit improvement or cancellation terms.
- **Not reporting to all three credit bureaus**, making progress hard to track.

- **Lack of transparency** around how the program works, what it costs, or how long it takes.
- **Pressure to upgrade or upsell** additional costly services, like **credit monitoring** or **identity protection**.
- Bundling with **shady credit repair tactics**, like **disputing accurate information**.

The chart below highlights key differences between the two types of programs to help you make an informed decision about which option may best support your credit-building goals.

	Example 1 – Non-Profit Save 2 Build	Example 2 – For Profit Credit Builder Loan
Loan Period	12 months	24 months
Monthly payment	\$27.80	Ranges between \$25 and \$150 *
Fees	\$33.55	\$89 - \$531 *
Fees as an interest rate	12%	15.92% - 15.82% *
Credit Reporting	All three credit agencies. Does not report negative payment information.	All three credit agencies. Reports positive and negative payment information.
Missed payments	<p>If late 31 days or more a fee of \$2.50 will be assessed.</p> <p>Late payments are not reported to the credit reporting agencies. However, if two payments are missed, the account will be closed, and any accrued funds are used to pay off the loan. Any remaining funds are returned to the participant.</p>	<p>Payments that are 15 days past the due date, are assessed a late fee of up to 5% of the monthly payment amount. For example, if your monthly payment is \$50, the late fee would be \$2.50.</p> <p>Payments that exceed 30 days late are reported to the credit reporting agencies.</p> <p>*Depends on the plan chosen.</p>

This comparison is based on real information publicly available on each organization's website as of May 2025.

Additional Credit-Building Options

If someone is looking to build credit, here are additional trustworthy alternatives:

- **Secured credit cards** from reputable banks or credit unions with low or no annual fees.
- **Credit builder loans** from community lenders, non-profits, or CDFIs.
- **Authorized user status** on a trusted family member's credit card (if managed well).
- **Rental and utility reporting tools** (only if they're low-cost and report to *all* major bureaus).
- **Nonprofit credit counseling**, that provides coaching and safe referrals.

The Final Decision

Before signing up for any credit builder program, ask the right questions: Is the provider a nonprofit? Do they report to all three major credit bureaus? Are there any hidden fees? If the answers aren't clear or transparent, that's a red flag.

Also consider what else the organization offers: Do they provide free financial education or coaching? Do they partner with other nonprofits or community organizations to help people navigate other financial concerns, like housing, student loans, or budgeting? A strong credit builder program shouldn't stand-alone, it should be part of a larger commitment to your long-term financial health.

Ready to take control of your finances? Whether you're focused on building credit, managing debt, or creating a budget that works for your life, support is available. You don't have to do it alone—reach out today and take the first step toward your financial goals.

Note: Information in this comparison was gathered from the official websites of both providers in May 2025 and is subject to change. Please verify current terms before enrolling in any credit-building service.

How to Spot and Avoid Predatory Financial Products

When you're facing financial pressure, it can be tempting to say "yes" to the first offer of help—especially if it promises fast cash or an easy way out. But not all financial products are created with your best interest in mind. In fact, some are designed to trap you in a cycle of debt, confusion, and long-term harm. These are known as **predatory financial products**, and they're more common than you might think.

Let's break down how to recognize these products, who they tend to target, and how you can protect yourself—and your future.

What Are Predatory Financial Products?

Predatory financial products are services or loans that come with high costs, hidden traps, and little to no benefit for the consumer. They often seem helpful at first but end up causing more financial harm than good.

Some common examples include:

- Credit repair and debt settlement scams,
- "Buy now, pay later" programs with penalties buried in the fine print,
- Subprime credit cards with sky-high fees,
- Payday and auto title loans,
- Refund anticipation loans, and
- Rent-to-own agreements with unclear terms.

What makes these products predatory is their structure: they are built to **exploit financial stress**—not relieve it.

Red Flags to Watch Out For

Here are some signs that a financial product might be predatory:

- **Suggesting you stop making payments on debts** (especially if you are current!).
- **Disputing**, or advising you to dispute **accurate information** on your credit report.
- **Extremely high interest rates or fees** (especially for small-dollar loans).
- **Pressure to act fast** with phrases like "limited time only" or "guaranteed approval"

- **Lack of transparency**—you’re not given clear, written terms up front.
- **No credit check required** (often means it’s risky and expensive).
- **No path to long-term financial improvement** (the product solves a **short-term** need but leads to ongoing debt).
- **Unlicensed or unregistered providers.**

If a product sounds too good to be true, or if it makes you feel rushed or confused, those are signs to slow down and ask questions.

Who’s Most at Risk?

Predatory lenders often target people who are:

- Experiencing a financial crisis,
- Unbanked or underbanked,
- Living paycheck to paycheck,
- Immigrants or people with limited English proficiency, and
- From communities historically excluded from fair financial access.

It’s not about poor choices—it’s about limited options. That’s why awareness, education, and access to safe alternatives are so important.

What Are Safer Alternatives?

Fortunately, there are **trusted and affordable alternatives** that can help you build credit, manage debt, or access emergency funds:

- **Credit builder loans** from community banks, credit unions, or non-profit organizations,
- **Secured credit cards** with low or no annual fees,
- **Debt management plans (DMPs)** through certified nonprofit credit counseling agencies,
- [Bank On certified bank accounts](#) with no surprise fees, and
- **Financial coaching** and education from nonprofits.

Before saying yes to a loan or financial service, look for options that are **transparent, regulated, and focused on your long-term success.**

How to Protect Yourself

Here are a few quick tips to stay safe:

- **Research the provider**—look them up on sites like the [CFPB complaint database](#) or [Better Business Bureau](#).
- **Read fine print**, especially around fees and repayment terms.
- **Ask questions**, what happens if you miss a payment? How will this impact your credit?
- **Talk to a nonprofit counselor** before signing anything. A 30-minute call could save you years of trouble.

Final Thoughts

You work hard for your money. You deserve financial tools that work just as hard *for* you, not against you. Predatory financial products often prey on stress, urgency, and confusion, but you don't have to navigate this alone.

If you're unsure about a loan, credit card, or financial offer, **talk to a trusted coach or counselor, first.**



Apply It: Building My Credit

You can use this checklist to explore options for building credit.

Building Credit	What It Is	What to Watch Out For
<p>Get a secured credit card</p> <p><input type="checkbox"/> This is an option for me</p>	<p>To get a secured credit card, you must make a deposit with the financial institution that issues the credit card. Often it is around \$500, which is also generally the credit limit. The credit limit is the maximum you can charge on the credit card.</p>	<p>Fees. Secured credit cards often have fees: annual fees, monthly fees, and others. The credit card issuer cannot charge fees that add up to more than 25% of the credit limit in the first year. Read the fine print. Make sure the fee structure does not increase after the first 12 months.</p> <p>Credit utilization rate. Be sure to keep the amount you charge as low as possible compared to your credit limit. Borrowers who have large balances in proportion to their credit limits may see their credit scores fall.</p> <p>Missing payments. Be sure to pay the full amount due each month. Getting a secured credit card will not improve your credit scores if you miss payment deadlines. The creditor must receive the payment by the due date.</p> <p>Reporting. Check your credit reports to ensure the financial institution regularly reports your payments to Equifax, Experian, or TransUnion.</p>

Apply It: Building My Credit *continued*

Building Credit	What It Is	What to Watch Out For
<p>Get a credit-building loan</p> <p><input type="checkbox"/> This is an option for me</p>	<p>These are installment loans usually for \$1,000 or less. You repay them through regular, scheduled payments for 6 to 12 months.</p>	<p>Interest rates. For most loans, you will have to pay interest. Be sure you can afford to repay the loan, including the interest. Remember, even if the loan is deposited in an account and you make the loan payments from this deposit, you will still need additional money to cover the interest.</p> <p>Missing payments. While regular, on-time payments can build your credit, missing or late payments will harm it. Be sure you can afford the payments before taking on this loan. Find out if you can set up automatic payments so you can be sure you won't forget to make them.</p> <p>Reporting. Check your credit reports to ensure the financial institution regularly reports your payments to Equifax, Experian, or TransUnion.</p>
<p>Become an authorized user on someone else's account</p> <p><input type="checkbox"/> This is an option for me</p>	<p>This provides you with a credit card in your name, but someone else owns and is responsible for the account.</p> <p>If the primary accountholder uses it responsibly and has good credit, it may provide a slight boost to your credit scores.</p>	<p>Reporting. Check your credit reports to ensure the financial institution regularly reports authorized user status to Equifax, Experian, or TransUnion.</p> <p>Missed payments by the accountholder. Late and missed payments on the account can affect your credit. Make sure the person who owns the account has good credit and pays on time and as agreed.</p>

Apply It: Building My Credit *continued*

Building Credit	What It Is	What to Watch Out For
Get a cosigner <input type="checkbox"/> This is an option for me	<p>Ask a friend or relative with good credit to cosign your loan. A cosigner promises to repay the loan if you do not.</p>	<p>Your relationship. If you do not pay back the loan, your cosigner will be responsible for the payments. You may have damaged their credit as well.</p> <p>Reporting. The lender should report the payment information for both you and the cosigner to the credit reporting agencies.</p>
Apply for a credit card at a store or gas station <input type="checkbox"/> This is an option for me	<p>These credit cards typically have a lower credit limit and a higher annual percentage rate (APR).</p> <p>It may be easier to get approved for one of these cards than other types of credit cards.</p>	<p>Interest rates. The interest rate is likely to be high. Make sure you do not charge more than you can pay. Keep the balance on the card as low as possible compared to your credit limit.</p> <p>Reporting. Check your credit reports to ensure the lender regularly reports your payments to Equifax, Experian, or TransUnion.</p>
Make a large down payment on a purchase and negotiate a loan for the balance <input type="checkbox"/> This is an option for me	<p>Offering to make a large down payment can make it more likely that a lender will approve your lending application. And, you will not have to borrow as much money.</p> <p>For example, if you are buying a used car for \$5,000 and have enough cash, you might consider making a down payment of \$1,000 to \$3,000.</p> <p>Repaying the loan as agreed can help you build your credit history.</p>	<p>Interest rates. The interest rate is likely to be high. Make sure you do not borrow more money than you can pay.</p> <p>Loss of asset. The loan is likely to be secured by the asset you are buying. If you do not make your payments on time and as agreed, the asset may be repossessed.</p> <p>Reporting. Check your credit reports to ensure the lender regularly reports your payments to Equifax, Experian, or TransUnion.</p>

Apply It: Building My Credit *continued*

Building Credit	What It Is	What to Watch Out For
<p>Create an alternative credit history</p> <p><input type="checkbox"/> This is an option for me</p>	<p>Many of the bills you pay are not included in credit reports. Create a record showing your timely and regular payments of other bills as an alternative to a credit report.</p> <p>Use <i>Apply It: Creating My Alternative Credit History</i> on the next page.</p>	<p>Acceptance. Many businesses will not accept an alternative credit history in place of a credit report or scores. Be sure to check with potential service providers about their policies on considering alternative credit histories.</p> <p>Evidence. Make sure you have evidence to back up your claims of timely and regular payments, such as:</p> <ul style="list-style-type: none"> ▪ Receipts ▪ Statements ▪ Letters from the businesses you pay regularly
<p>Other</p> <p><input type="checkbox"/> This is an option for me</p>		



Apply It: Creating My Alternative Credit History

Use this worksheet to build an alternative credit history.

Payment or Item	Payment/deposit frequency? For how long? What documentation can I provide?
Rent	
Childcare / Eldercare payments	
Spousal / Child Support payments	
Cell phone bill	
Electric bill	
Gas bill	
Water, sewage, and garbage bills	
Cable / Satellite / TV Viewing Services	
Internet service bill	
Insurance payments	
Loan from friend or family member	
Savings	
Other:	
Other:	



Apply It: Repairing and Improving My Credit

Use this checklist to explore options for repairing and improving your credit.

- ☐ **Get and review your credit reports.** Go to annualcreditreport.com for the free credit reports you are entitled to every 12 months from each of the three nationwide credit reporting agencies.
- ☐ **Dispute and correct any errors.** Look for inaccurate information, information that does not belong to you, and outdated information still being reported.
- ☐ **Make sure anything that is in the collection account section of your reports belongs to you.** And, if something appears in the collection account section, make sure it is not also reported in another section.
- ☐ **Pay all of your bills on time and as agreed.**
- ☐ **If you have credit cards, use as little of your credit limit as possible.** Carrying high balances on credit cards compared to available credit limits can significantly reduce credit scores. Some experts advise using no more than 30% of your available credit while others advise using no more than 20%. While keeping balances at or below those percentages may be a goal that you cannot reach right now, it helps to use as little of your credit limit as possible.
- ☐ **Use a credit building strategy.** Options may include:
 - Secured credit cards
 - Credit building loans
 - Becoming an authorized user on an account
 - Getting a cosigner
- ☐ **Keep old accounts open if you can.** Older accounts create a longer credit history.
- ☐ **Apply for credit only if you really need it.** Applications for credit create inquiries. Too many inquiries can negatively affect your scores.
- ☐ **Negotiate different terms.** See if you can increase your credit limit on revolving accounts (such as credit card accounts or lines of credit) or ask for lower interest rates. Changes can improve your credit and make your credit more affordable.
- ☐ **Ask for a “good will” deletion.** If you have paid your bills on time and as agreed with a creditor, but missed a payment or two, you may be able to negotiate a deletion of the negative entry. If this doesn’t work, ask what else could be done to prevent it from being reported to a credit reporting agency.



Apply It: Maintaining My Productive Credit History

Many of the strategies for maintaining productive credit are the same as those for repairing and improving credit. Use this checklist to keep your credit history productive after you have built, repaired, or improved it.

- ☐ **Continue to pay your bills on time and as agreed.** This will have the greatest impact on both your credit reports and scores. It is the most important strategy for maintaining productive credit reports and scores.
- ☐ **Continue to pay down your debt balances.** If you are paying your bills on time and as agreed, this is likely already occurring. But make sure you see this reflected in the balances on your credit reports.
- ☐ **Keep the amount of credit you use as low as you can compared to your credit limits.** This applies to credit cards as well as lines of credit. Only use what you need.
- ☐ **Don't apply for too much credit.** Applying for too much credit at once can suggest financial problems. Lenders may not view this favorably when you apply for credit.
- ☐ **Avoid actions or inactions that may create new entries in the public records section of your credit reports.** If you have been served with a lawsuit notice and don't show up to court, the court will likely find in favor of the individual or business that is suing you. Get legal help if needed.
- ☐ **Pay your taxes and child support in full and on time.** A tax lien may be filed if you do not pay your income taxes, property taxes, or other taxes. A lien gives the government the legal right to your property—financial assets, personal property, or real estate—if you do not pay the taxes you owe. Not paying child support can lead to garnishment, liens on properties, and withholding of tax refunds or other governmental payments, along with other consequences.
- ☐ **Check your credit reports at least once every 12 months at annualcreditreport.com.**
- ☐ **Dispute errors on your credit reports.** Be sure to keep records of your disputes.
- ☐ **Keep good financial records.** Good recordkeeping will give you:
 - proof if there are any errors in your credit reports
 - information if your identity is stolen and you have to contact your creditors quickly
 - peace of mind