

Fiscal Facts

UP-TO-DATE FINANCIAL INFORMATION & CONSUMER ALERTS

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Sensible Steps for Rebuilding Your Credit

Credit repair

Your credit standing is important. A good credit score lets lenders know how “credit worthy” you are and influences their willingness to give you a credit card, mortgage, or other kinds of loans. Your credit report shows these institutions how you’ve managed your financial responsibilities in the past. Included in a credit report is information about where you work, where you live, and how faithfully and promptly you’ve paid your bills in the past. Other relevant information that can be found in your credit report includes tax liens, liens filed against your home, levies, court judgments, and other public records including bankruptcy.

Credit is more available today than ever before. Stores advertise “no payment” plans, credit card applications arrive in the mail, and more Americans are using credit to buy things now and pay later. Living with debt is becoming a way of life. But poorly managed credit can become a slippery slope, landing you deeply in debt, and facing a long road to recovery.

How to repair bad credit

Many people who have overextended themselves feel hopeless about their situation. Recovery is not easy, but it’s possible. Here are a few tips that can help you get back on track.

- **Be wary of credit repair clinics.** Many people think this is the only option they have and take advice that isn’t in their best interest. These clinics make bold promises about erasing bad credit and turning your life around in a short period of time. Remember, if it sounds too good to be true, it probably is. The fees a credit repair clinic charge can be substantial and they may use tactics you don’t approve of. There is nothing a credit repair clinic can legally do for you that you cannot do for yourself free of charge.

The Federal Trade Commission has issued the following caution to consumers about these types of clinics: “Not only can’t they (credit repair clinics) provide you with a clean credit record, they may be encouraging you to violate federal law. If they ask you to make false statements on a loan or credit application, misrepresent your Social Security Number, or advise you to get an Employer Identification Number from the IRS under false pretense, you’ll be committing fraud.”

Be proactive

- **Contact your lenders.** Many lenders will work with you to set up a different, more manageable payment schedule. It’s important to communicate with your lender if you’re not able to make the payments on time. Be proactive — call your lender if you’re struggling financially. Respond promptly to their phone calls or letters. One of the biggest mistakes people make is to ignore calls or letters from a lender which may result in escalation of collection remedies.
- **Order a copy of your credit report.** You can do this online by visiting laketrust.org. The law requires each bureau to provide you with a free copy of your credit report once every 12 months if you request it. Once you have your report, check it for accuracy.

Change the way you manage your money

- **Pay bills earlier.** Late payments can negatively impact your credit report and cause you to get behind with your monthly bills. Rather than waiting until the last minute, begin paying your bills as early as possible. When you have extra money, use it to make additional payments that will allow you to pay the debt off earlier than scheduled.

- **Pay with cash.** While you're paying off your debt, make a commitment to stop using credit cards altogether. This will help you change old habits and force you to only purchase what you can afford.

Recovering from bad credit takes time, persistence, and a commitment to clear up past obligations. There's no magic solution, but there are resources available to help you succeed. Preparing a debt repayment plan and following it faithfully are the best ways to rebuild credit.

Lake Trust Credit Union has partnered with GreenPath, a nationwide non-profit consumer credit counseling service. Our members can enjoy free, unlimited access to financial counselors and assistance with:

- Personal & family budgeting
- Understanding your credit report & how to improve your score
- Money management
- Debt repayment
- Avoiding bankruptcy, foreclosure & repossession

To use this free service, call 877.332.2235 and identify yourself as a Lake Trust Credit Union member. GreenPath counselors are available Monday through Thursday from 8:00 a.m. to 10:00 p.m., Friday from 8:00 a.m. to 7:00 p.m. and Saturday from 9:00 a.m. to 1:00 p.m.

