

Cyprus Credit Union Improving Credit Guide



Your credit score can impact several areas of your life. This includes the rates you receive on loans, approval for rentals houses and apartments, being approved for future credit, and more. If your score isn't quite where you would like it to be, or you aren't sure what your score is at all, this guide will help teach you everything you need to know about credit and how to improve it over time.



CREDIT SCORE BASICS



What is a Credit Score?

What Does Affect Your Credit Score?

What DOESN'T Affect Your Credit Score?

CREDIT REPORT



How Do I Get a Copy?

How Do I Read my Report?

HOW TO REPAIR CREDIT



Pinpoint the Issues

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What is a Credit Inquiry?

CREDIT SCORE BASICS



WHAT IS A CREDIT SCORE?

A credit score, also referred to as a FICO score, is a three-digit number that is generated by pulling information from your credit report. It is used as a predictor of how likely you are to become dependent on your credit or fall into delinquency with your payments. It is also used to help determine whether you will be approved for loans, mortgages, credit cards, and more. 90% of financial institutions in the United States use your FICO score in their decision-making process. The higher your score, the better it is.

WHAT DOES AFFECT YOUR CREDIT SCORE?

Payment History (35%)

Your account's payment information. This includes any late payments and public records.

Amounts Owed (30%)

How much credit you are using and how much you have available.

Length of Credit History (15%)

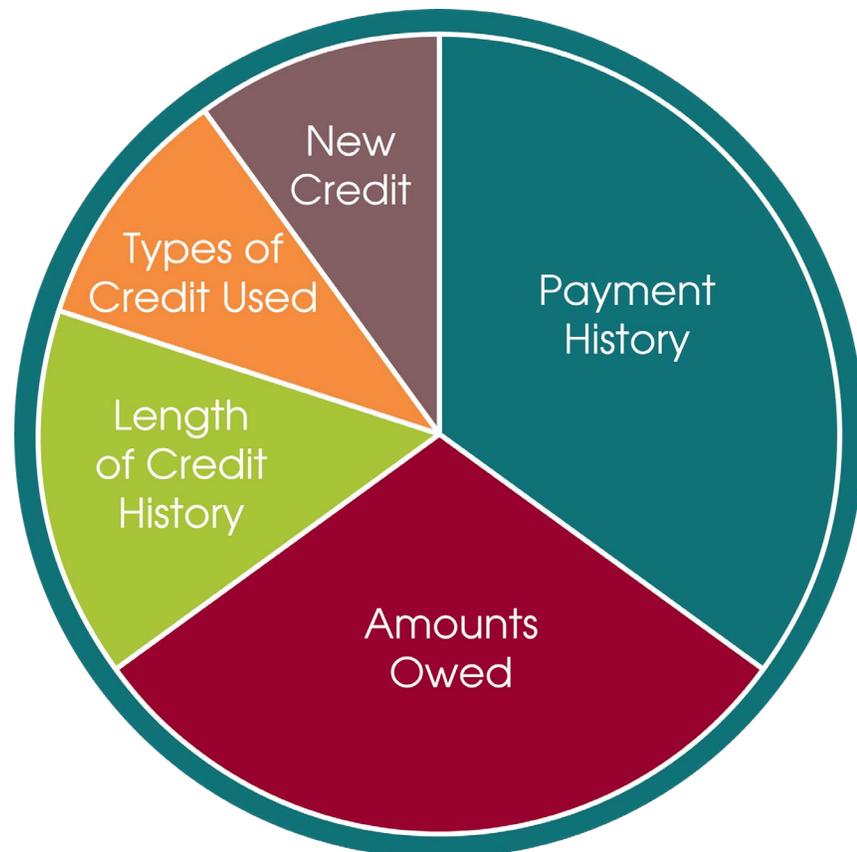
How long you've had open accounts and time since account activity,

Types of Credit Used (10%)

The types of accounts that you use (credit cards, loans, etc.)

New Credit (10%)

New credit lines you open, this also includes inquiries into new credit.



WHAT DOESN'T AFFECT YOUR CREDIT SCORE?

- Age
- Race/Ethnicity
- Address
- Marital Status
- Income
- Employment Status

CREDIT REPORT



HOW DO I GET A COPY?

There are three companies from which you can request a credit report: TransUnion, Equifax, and Experian. Under federal law, you can order a new copy every 12 months from each company for free. What is usually recommended is to request one every four months so you can review your credit at least three times a year.

HOW DO I READ MY REPORT?

A credit report is a comprehensive summary of a person's credit. It is often used as the deciding factor in whether or not you will receive the loans or credit cards for which you apply. They can also be used as part of a background check for a job or when you're trying to rent an apartment.

What's in My Credit Report?

The first thing you'll find is your identifying information. This includes your name, address, social security number, and employment information. You'll also find the lines of credit that you currently have, how much you owe, when the line was opened, credit limits, and more.

Every time you apply for a new line of credit, such as a credit card, mortgage, or car loan; a hard inquiry takes place on your credit. These inquiries will show up on your credit report and will usually knock your credit score down a few points. These inquiries will fall off over time and your score will improve.

Items like late payments, foreclosures, and tax liens can remain on your record for 7 years while bankruptcies will remain for up to 10 years.

What's Not in my Credit Report?

Accounts like savings and checking aren't included in your credit report. It also doesn't include personal information about your race, medical history, religion, etc.

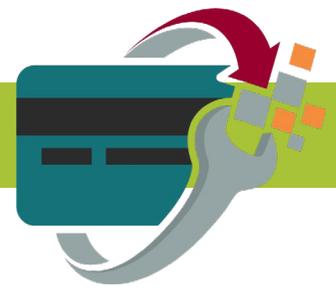
What Should I Be Looking For?

The first thing you should do with any credit report is to make sure all of the information is correct. If you are working on calculating your net worth, this is also a great resource. This document can also be used when it comes to debt elimination since you have all of your debts in one convenient place.

How Do I Report a Mistake?

If you find something on your credit report that doesn't belong there, such as an inquiry you didn't authorize or a line of credit you didn't open, you will need to file a dispute. You can find more about reporting credit fraud [HERE](#).

HOW TO REPAIR CREDIT



PINPOINT THE ISSUES

There are several reasons why your credit score may not be quite where it needs to be. Some of the most common include:

Opened a New Card

Every time you open a new credit card or apply for a loan, your score drops a few points when a check is made on your credit. This is inevitable and something you should be aware of anytime you apply for new lines of credit. If you are constantly applying for new cards, this may also show potential lenders that you rely too much on credit and may not be a reliable borrower.



Missed a Payment

One of the major aspects of your overall credit score is making on time payments. In addition to your credit score dropping, you may end up paying more in interest to make up for the late/missed payments. To avoid this, set up automatic payments or other reminders so you'll always make your payments on time.

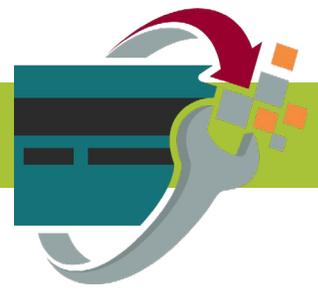
Using Too Much Credit

While there's no rules that say how much credit you can use at one time, more experts recommend staying under 30% to keep your credit score high. This means, if you have \$10,000 in credit available, you are not using more than \$3000 worth of credit at any given time. If you are continually going over this number, but still make on time payments in full, you may want to look into increasing your credit.

Closed an Old Card

The length of your credit history also plays a role in your credit score. If you close your oldest card because you don't use it anymore, this may shorten your length of history and lower your score. You will need at least six months with some type of credit in order to receive a score.

HOW TO REPAIR CREDIT



CREATE A PLAN



Pay Bills on Time

This is one of the easiest things you can do to keep up your credit score. Either keep a calendar to remind you when your bills are due or sign up for automatic bill pay through our home banking system so you'll never forget another payment. Even if you are trying to save money, prioritize paying your bills because even just one late payment will hurt. After several months of consistent, on-time payment, you'll see your score begin to rise.



Get Rid of Small Balances

If you use several cards and have small balances on all of them, as opposed to a larger balance on one or two cards, this can actually hurt your score. Pay off all of your balances and start fresh. Pick a card or two as your go-to options and use those consistently. Do some research and see if you can find a card with rewards so you can get a little bonus while maintaining your good credit. You should also try to aim to only use about 30% of your available credit. To help with this, see if it's possible to make multiple payments a month to keep you under that ratio.



Leave Good Debt on your Report

Yes, there is such thing as good debt. This is any debt that you've handled well and paid as agreed, such as student loans, car loans, or a mortgage. This will help expand your length of credit and show you have a history of making and completing payments.



Relax & Be Patient

Your score won't change overnight no matter what you do, so don't be disappointed or give up. It takes a lot longer to build up a good score than it does for a score to fall. If you have a major mark on your credit record, such as bankruptcy, it will take about 7 to 10 years to clear. Just keep applying the steps above consistently and keep track of your score on a regular (but not obsessive, that'll only drive you crazy) basis and you'll see a change.

HOW TO REPAIR CREDIT



WHAT IS A CREDIT INQUIRY?

A credit inquiry is when a third party views your credit report. This check is done to make sure your credit and background are in good standing. There are two types of inquiries: a hard inquiry and a soft inquiry.

What is a Soft Inquiry?

A soft inquiry is when a person or company takes a look at your credit. This is usually a routine procedure and could possibly coincide with a background check for a job or a lender you already work with reaffirming your credit score. Checking your own credit score also falls under this category.

What Does It Affect?

These usually don't affect your credit score. They may not even be recorded on your report at all.

What is a Hard Inquiry?

A hard inquiry is made when it is being decided whether or not you will be approved for a loan. This includes mortgages, credit cards, and personal loans. These inquiries must be authorized by you. There is also a chance your credit will be checked when you are trying to rent an apartment, rent a car, or open a savings/checking account.

What Does it Affect?

On average, a hard inquiry has the potential to take about 5 points off your credit score. If you make several hard inquiries in a short amount of time, it may portray to lenders that you are desperate for more credit. These inquiries will fall off your credit report over time.

If there appears to be an inquiry on your credit report that you did not authorize, you will need to dispute it. There are two ways to go about doing this. First, if there has been a check on your credit and you don't know why, contact the creditor directly. If a check didn't take place and it was just a mistake, the creditor should be able to assist you. If a check did take place without your authorization, you will need to contact the credit bureau. In the situation of someone trying to open a credit card in your name or other fraudulent activity, you should have a fraud alert placed on your file and contact your local police.

