

# YOU & YOUR



BY BRAD FOXEN

**a**h. Spring in Michigan. As the days get longer and warmer, we start to think about how to enjoy the summer months.

And, that often means looking at major purchases and expenses. Maybe your family is considering purchasing a new boat or looking at summer cottages. Perhaps you're planning a long vacation across the country and are making reservations with your credit cards. Or perhaps your high school senior is preparing to leave for college.

Most of us pay for our boats with loans, and we buy cottages and homes with mortgages. We travel using credit cards and our students borrow money to pay for college tuition and living expenses. That means that spring is not just about longer, warmer days. It is also a great time to think about your credit report and credit score.

Your credit report is a compilation of information about you and how you borrow. The report includes very personal identifying information, including your birthdate, your Social Security number, your address and your employer. In addition, the report contains public information about you—criminal convictions, liens, divorces and other court judgments. And, as you might expect, a credit report includes information about how you handle the credit given to you such as loans, lines of credit and credit cards.

Credit reports drive your ability to borrow, and they contain information on the number of debts you carry, past loans, status of current loans, payment history, the number of inquiries on your credit, your unused credit as well as the length of your credit history.

All of the information included in your credit report contributes to your credit score. Scores can range between 300 and 900 depending on the credit reporting agency. The higher the number the better credit risk you are. The score is based primarily on payment history, the number of open accounts and the amount of credit used. Other factors such as the number of inquiries into your credit, and the length of your credit history are also key factors. Lenders rely on credit scores to help determine how creditworthy you are. Your score will help lenders make a decision on granting a loan, the amount you qualify for, and even the interest rate you will pay.

Your credit score is more important than ever! In the past, lenders may have been more flexible about credit scores, but with the recent economic downturn, you will find that lenders may be less flexible. So, how do you manage your credit to ensure you're getting the best deals on credit?

## STEP 1:

Know your score. Building and maintaining credit begins with knowing where you stand. The three credit reporting agencies, Experian, Equifax and TransUnion, offer a free annual credit report at AnnualCreditReport.com. The report will include a score from each of the reporting agencies. Once you have your report, be sure to check it for errors. One of the most common errors is incorrect listing of late payments. If you find errors, dispute them directly with the credit reporting agency.

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**STEP 2:**

Talk to your banker. Your banker can be an important ally in mending and managing credit. Most banks and financial institutions are happy to assist customers in establishing a plan for credit repair. Bankers can assist with setting up automatic payments, online deposits and reminders to help make on-time payments. A banker can also be your resource for discussions on budgets and appropriate levels of debt based on your income.

**STEP 3:**

Reduce your debt. The easiest way to improve your credit score is to reduce your overall level of debt. Put together a plan with your banker for debt reduction. Focus on loans and credit cards with the highest rates of interest. When you can, make more than the minimum payment each month.

If your credit is in good shape, congratulations! Make sure to keep it that way by checking your credit reports annually for errors and fraud.

Finally, be sure to enjoy the longer days and warmer weather ahead. ☐

**HERE ARE SOME SMART WAYS TO BUILD YOUR CREDIT SCORE:**

- Maintain a couple of credit cards, using and paying them in a timely manner can help build positive credit history.
- Reduce balances on credit cards and try and stay well below your limit.
- Use a mix of credit cards and fixed rate loans, not just one or the other.
- Create a budget and follow it as closely as you can to avoid problems.

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Brad Foxen has been in the banking industry for 23 years.