

Quick Start Your Financial Success Guide: Credit

Start With Reviewing Your Credit Score & Report

One of the most popular ways to approach the improvement of your score, and watching for fraud & identity theft, is to regularly check your score. This does not negatively affect your credit score. The Center for Financial Success preferred website for checking your score is Credit Karma:

<https://www.creditkarma.com/>

We also recommend that you periodically run your credit report. You can get one free report a year from each credit bureau. We recommend using <https://www.annualcreditreport.com/index.action> to run your credit report.

This method does not prevent fraud and identity theft, but merely monitors it for fraudulent activity. When and if fraudulent activity is found you must start the process of contacting credit rating agencies to fix the false information **retroactively**.

Understand Credit Score Factors

Credit card use: The lower the percentage of credit you are using compared to your total credit limit the more your score will improve. *This has a high impact on your score.*

Payment History: A history of making payments on time improves your credit score. *This has a high impact on your score.*

Derogatory Marks: These marks come from having collections, tax liens, bankruptcies, or civil judgements on your report. It is possible to get these removed over time. *This has a high impact on your score.*

Credit Age: This is the average age of your open credit accounts. *This has a medium impact on your score.*

Total Accounts: The total number of open and closed accounts is taken into consideration. Often lenders like to see that you have responsibly used a variety of accounts. *This has a low impact on your score.*

Hard Inquiries: This is the number of time that you have applied for credit in recent history. They can stay on your report for as long as two years. The effect that hard inquiries have on your score tends to fade over time. *This has a low impact on your score.*

Consider Credit Freezing

For those looking for a **proactive** way to prevent fraud, there is credit “freezing”. To implement a **credit freeze**, you must contact the three credit rating agencies: Experian, TransUnion, and Equifax. For each agency, there is \$10 fee to implement the freeze, and once frozen no additional credit can be opened under your social security number. It is crucial to remember your pass code so that you can unfreeze your credit in the future.

Credit freezing restricts access to your credit report and prevents new credit from being extended in your name without negatively affecting your credit score or preventing you from obtaining your free annual credit report.

Credit freezing does not stop prescreened credit offers, and still allows your report to be released to existing creditors and to government agencies, with a court order.



If later you want to establish new credit, such as to get a new credit card, car loan, or home purchase, you will need to re-open the frozen credit temporarily at all three agencies. After establishing the new credit, you can then re-freeze your credit. This process would cost \$60.

For steps to implement a credit freeze, visit these websites:

<https://www.consumer.ftc.gov/articles/0497-credit-freeze-faqs>

<https://www.experian.com/freeze/center.html>

<https://www.transunion.com/credit-freeze/place-credit-freeze>

https://www.freeze.equifax.com/Freeze/jsp/SFF_PersonalIDInfo.jsp

To place a freeze over the phone, contact each of these nationwide credit reporting companies:

Equifax: 1-800-349-9960

Experian: 1-888-397-3742

TransUnion: 1-888-909-8872

If you suspect fraud

A call to one agency will result in a 90-day Fraud Alert being applied to all three agencies. Follow the appropriate prompts given during the call to place an alert.

Note that they will attempt to upsell you a reporting service at the end of the call. Press 2 to skip this. You will have to “skip” the message two times. A fraud alert may be extended after the 90 days, and requires contact with you before credit is offered.

Peer-to-Peer Financial Counseling

If you would like to meet with one of the peer financial counselors at the Center for Financial Success to discuss credit questions visit our website wku.edu/cfs or email us financialsuccess@wku.edu.