

Want Good Credit? - Back to Basics (Part 1 of 2)

By *Kathy Jo Pollack*
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A question that seems to be surfacing a lot lately is **how to build good credit**. Some people that I talk with have experienced financial difficulties in the past and are now trying to rebuild their personal credit. Others are new to credit, especially young people, and are building credit for the first time. Rebuilding after difficulties and having no credit can be similar. If you do not use credit or have not used it in the past, there is no credit use to rate and thus the affects can be similar. No use or a poor record can be limiting. Regardless of the reason, the need to have a good personal credit record continues to grow.

While I am not pushing credit, nor do I encourage building unnecessary debt in an attempt to build credit, you must use credit, actively and wisely, in order to build a solid record that will serve you well into the future. If you live a cash only life, at some point a credit score may not be generated.

First, I would like to explain why it is important. Whether you like credit or not, credit affects the major areas of our lives: where we live, work, and the ability to get loans, insurance, and possibly even utilities, especially cell phones. The majority of auto insurance companies use credit scores when determining rates and it is also common with home insurers. Yes, employers can check credit with your permission, so read applications carefully. Obviously if you are looking to rent or apply for a mortgage, a legitimate lender or landlord will want to check your credit history. Our credit record really does affect every area of our lives! We want every opportunity that comes with having good credit.

I would like to share some suggestions to building, rebuilding, and maintaining credit. There are no guarantees, and I stress that this takes time and patience. There is no quick way to build or rebuild credit; the key is to show a pattern of financial responsibility over time. You may even need to change old habits and old ways of thinking.

Now, let's go back to basics, with more to follow in the second part. If you are just starting out, make sure you start at the very beginning, again keeping in mind that your goal is to build a pattern of financial responsibility.

1. **Get established with a bank or credit union** (www.cuna.org) and maintain a checking and savings account. Do not bounce checks and build your savings. Bounced checks can be a barrier to opening new accounts. If you are thinking, *"Why do I need an account and what do accounts have to do with building credit?"* let me explain. Accounts alone do not build credit and are not reported to the credit bureaus, however, your financial institution will be a logical place to go when you want to apply for a loan or even a credit card. Also, lenders view this as a sign of financial stability, so build and keep this relationship. Credit Unions offer many of the same services as banks, and credit unions are also insured, as well as member-owned, and non-profit.

2. **Annually check and correct all three of your credit reports** (Equifax, Experian, and Trans Union). I have written about this many times, and it still holds true! Under the FACT Act, these reports are **free to consumers every twelve months**. You can request your free reports by calling 877-322-8228 or online at the official website: www.annualcreditreport.com. A form is also available at this website if you prefer to request your reports by mail. Even if you think you have no credit or have mistakes you do not want to see, please do yourself a favor and see it before someone else does. Give yourself an edge by correcting any errors as well as knowing what you are up against as you move forward.

3. **Have a realistic budget**. A budget is the cornerstone of your finances. There is a free budgeting worksheet on the Links & Products page my website: www.kathyjopollack.com/links. Again, you may be saying *"What does this have to do with credit?"*, and again I will say that you are partly correct. A budget will allow you the framework to pay all of your bills on time and not build unmanageable debt. Credit and debt are not the same. By knowing how much money you have coming in each month and how much you owe, you can make good

choices that will in turn help to build good credit. Ultimately, every bill paid on time adds to your good credit history. Paying bills late, ignoring bills, and maxing out credit limits hurts.

Now that we have the basic groundwork covered, coming in my next article we will talk specifically about credit – how to go about getting credit especially when you have never used credit or have had problems.

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Author's Bio

Kathy Jo Pollack is a certified life coach, trainer, and speaker with a focus on finance and relationships. She has worked with thousands of people from all walks of life as the training specialist for Consumer Credit Counseling Service and has taken her passion and expertise to a new level as a coach and writer. She also offers various teleclasses and seminars. Please visit her at: www.kathyjopollack.com. You may also contact her directly at 1-724-224-6619 or mycoach@kathyjopollack.com.