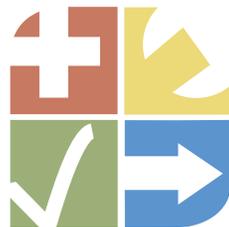


# CREDIT REPAIR KIT



Lending | Saving | Learning



*Having good credit is absolutely essential for financial success—but figuring out how to improve your credit can be confusing and even frustrating. So we created *The Credit Repair Kit* to help clear up that confusion and provide you with realistic and proven ways to take control of your credit.*

The Kit features four sections that act as a timeline of what you need to do and when to do it. Each section features a checklist at the top so you can track your progress as well as tips and helpful information at the bottom so you not only know what to do, but how and why to do it.

This interactive PDF file can be used electronically by simply selecting each checkbox as you make your way through each step. You can also print it out and mark off each step by hand—either way, the key is to start today and begin to take control of your credit.

## ***The Helpful Half Dozen:** Six tips to control your credit*

**Make phone calls**—Call your creditors before you start having payment problems; it shows that you care about paying your debt, and could lead to a rate reduction or lower payoff.

**Check for fees**—Check your paperwork or call the creditor to find out if there is an early payoff fee and what that fee entails.

**Watch for rate changes**—Some credit cards and mortgages have an initial rate that increases after a few months or years, so plan ahead and be prepared.

**Use the Snowball Technique**—Once you pay off a debt, take the money from that payment and apply it to

another debt. Once that debt is paid, apply all of that money to another one. Repeat this process and you can quickly pay off debt.

**Control spending**—All of your efforts will mean little if you just turn around and pile up more debt. Decide if a purchase is a need or a want, and spend wisely.

**Be flexible**—Because military pay changes due to specialty pays, tax-free income, etc., use extra money to pay off debt while also preparing for any reduction in income due to a deployment ending, changes in benefits, or other circumstances.

# 30 DAYS +

- Order one free report per year from each of the three credit bureaus at **AnnualCreditReport.com**
  - Equifax®
  - Experian®
  - TransUnion®
- Read through all three, looking specifically at:
  - Personal data
  - Home address
  - Employers
  - Account information (e.g. companies and account balances)
- Make a list of any inaccurate information on each report that you want to dispute
- Track spending for the next 30 days, no matter how small (even a pack of gum), so you can create a Spending and Savings Plan

## Your credit report

There is one—**and only one**—site legally able to give you a free copy of your credit report each year:

**AnnualCreditReport.com**. Use this site to get your credit reports once every 12 months.

When looking through your report, check past addresses and old accounts thoroughly, since these are the two areas where most errors occur. Then go through each “trade line” (the information provided by each company) to ensure your payment history and account balance are correct, listing any errors on each report.

## Tracking spending

Tracking all spending for 30 days isn’t as time consuming as it might initially appear:

- Get a receipt for every purchase
- Keep a copy of every bill stub
- Place them in a file folder, box, or even a bag at the end of each day

The goal is to have a record of your average monthly spending so your Spending and Savings Plan is as accurate, and therefore effective, as possible.

# 60 DAYS ↻

- Contact bureaus to dispute inaccurate information
- Make a list of accounts with potentially negative, but accurate, items that need to be addressed
  - Call creditors to make payment arrangements, or to request payoff/settlement amounts, of past-due accounts
- Create a Spending and Savings Plan by:
  - Categorizing the spending you tracked for 30 days, plus all bills (e.g. rent and insurance), UVSe obligations, etc.
  - Listing all monthly income
  - Adding or subtracting the numbers to find out if j`f have a positive or negative cash flow
  - Developing a plan to pay down debt and save for the future by eliminating unnecessary spending

## Disputes

When you file a dispute, send all evidence that shows the information to be incorrect, and keep copies of all correspondence. The bureaus will contact the creditor, and then contact you within 30 days to notify you of the creditor’s response.

If the creditor disagrees, you will have to deal with them directly. In this case, you should send letters (via certified mail or fax so you have a record) “Validating the Debt,” which requires them to prove you owe what they say you do.

For more information on the complete dispute process, visit the Federal Trade Commission website at **FTC.gov/credit**.

## Spending and Savings Plan

The key to reducing debt is finding extra money in your budget—and you might be surprised how much extra you actually have. Just taking your lunch each day can save at least \$150 a month, so eliminate those extra expenses and pay down debt instead.

Learn more about Spending and Savings Plans with our podcast at **PioneerServices.com/podcast**.

# 90 DAYS ✓

- ❑ Follow up with bureaus/creditors on inaccurate information
- ❑ Open a new, or utilize an existing, savings account to build up emergency savings so you can “borrow from yourself” when needed, instead of using credit
- ❑ Implement a Debt Prioritization Strategy as part of your Spending and Savings Plan. The three strategies are:
  - ❑ Long-term strategy: Focus on credit cards first, then sort debt by the term (time to pay in full), going from longest time to shortest
  - ❑ Interest rate strategy: Start with the debt with the highest interest rate, then the next highest, and so on
  - ❑ Month-to-month strategy: Start with the debt with the highest monthly payment, then the next, and so on

## Emergency Savings

To start an emergency savings account contact your current bank or credit union, or find an institution that makes it easy to set up an account (such as a low initial deposit amount and few fees). Consider using an allotment to make monthly deposits, as doing so will make it automatic and prevent you from spending the money before it makes it to the bank.

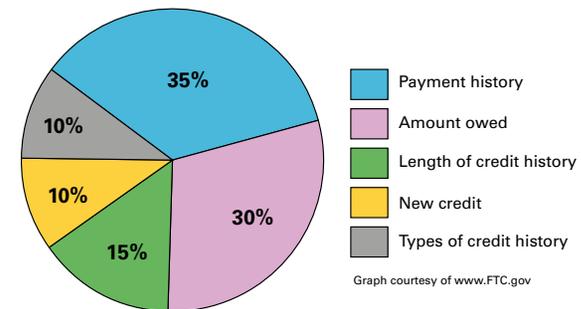
## Debt Prioritization

One thing to keep in mind when choosing a strategy is that you can switch from one to another depending on your needs. For example, if money is tight, then the month-to-month strategy might be best at first. But once your monthly cash flow is under control, consider switching to a longer-term strategy, such as the interest-rate strategy. The monthly payments might be a bit more, but you'll pay less in interest over the life of the debt and potentially save thousands of dollars.

Also consider using the “Snowball Technique” explained in the “Helpful Half Dozen” section; it can drastically speed up paying down your debt.

# ONWARD →

- ❑ Continue to build savings
- ❑ Continue to follow through with your Spending and Savings Plan
- ❑ Assess your Debt Prioritization Strategy and make necessary changes (if needed)
- ❑ Start taking advantage of the factors that make up your credit score. Those factors are:



## Improving your credit score

To use what makes up a credit score to increase yours:

*Payment history*—Pay your bills in full and on time

*Amount owed*—This is the ratio of the credit you're using vs. how much you have available. To increase it:

1. Raise the limit of your credit card(s), *but without using up that limit*, to increase the amount of debt you have available **-or-**
2. Pay down or pay off revolving debt, but keep the account open, use it monthly for a small purchase, and send the payment before the due date

*Length of credit history*—Pay your bills on time through the years

*New credit*—Do not repeatedly or frequently apply for credit, especially in a short timeframe

*Types of credit history*—Use a type of credit you might not have, or haven't used often, but *only* when you need it

*The most important factor*—*Follow through!* Stick to your plan and you will see progress