**Credit Repair and Monitoring Amid COVID-19**

*“Money talks...but credit holds conversations.”–Unknown*

*“Banks don’t recognize street credit.” –Unknown*

The first step to credit repair and monitoring is knowing where to obtain a copy of your **credit report1** and understanding what you’re looking at on the report. There are three major consumer credit reporting agencies**: Equifax, Transunion**, and **Experian**. Because every credit report is different and there are many different credit scoring models available, there is no “one size fits all” solution when it comes to improving your credit score. Please note that your credit report and your **credit score2** are two different things. **FICO3** credit scores range from 300-850. There are several factors that make up your credit score calculation, but the two most important are:

•Past Payment History 35%-Paying your bills on time each month is essential to having a good credit score.

•Outstanding Debt 30%-Having a lot of outstanding debt doesn’t mean your high risk, it can just mean you are overextended, which could cause you to make late payments or miss payments. You should also aim to keep your credit balances as low as possible because it is reflected in your credit utilization rate or balance to limit ratio.

Other factors taken into account for calculating your FICO credit score are:

* Length of Credit History **15%**-generally, longer credit history increases your score. It takes into account how long credit has been established and how often it’s used.
* Types of Credit **10%**-Considers your mix of credit cards, retail accounts, lines of credit, (the first three are called **revolving credit),4 installment loans5**, finance company accounts, and mortgage loans. It is not necessary to have one of each at the same time, but it does help when you have diverse credit history.
* New Applications for Credit **10%**-Opening several accounts in a short period of time represents a greater risk.

Now that you have this information, you can now take a look at your credit report and analyze it yourself. You can request and view a copy of your credit report from any of the three consumer credit reporting agencies’ websites, as well as www.annualcreditreport.com. Because you are entitled to it, it is recommended that you check your credit report at least once a year. Make sure when reviewing your report that you are checking for accurate and up-to-date information. If you find any errors on your report, you should:

* Dispute any potential inaccuracies as soon as you spot them.
* **Incorrect reporting of account status** (if it’s reporting an account as Open and it shouldn’t be, i.e. it’s paid off).
* **Data management errors** (i.e., you’re reported to have paid your credit card 30 days late twice and you’ve always paid on time).
* **Balance errors** (i.e., your credit card is showing a balance of $5,000 but you know you paid $2,500 towards the principal balance a month ago. With this example, please keep in mind that most financial institutions report to the agencies once a month, typically at the end of the month, and it takes a month or two for activity to show up on the report).
* All 3 credit reporting agencies allow you to file disputes online on their websites.

**Steps Everyone Can take to Help Improve their Credit Score.**

1. Have a plan

2. Bring any past due accounts current

3. Pay off any collections, charge offs, or public record items such as tax liens and judgments

4. Reduce balances on revolving accounts

5. Apply for credit only when necessary

**If you have been laid off or are having financial issues as a result of the COVID-19 pandemic**, it is vital that you are proactive when it comes to your credit. If you know that you will have trouble making payments, reach out to your financial institutions (banks, credit card companies, etc.) **before** the first missed payment. **Congress passed the CARES Act, which requires lenders to report to credit bureaus (reporting agencies) that consumers are current on their loans if consumers sought relief from their lenders due to the pandemic. The Consumer Protection Financial Bureau (CFPB) informed lenders they must comply with the CARES Act.**

**References:**

*Michelle Black (Contributor) (April 7, 2020). How to Protect Your Credit Score during the Coronavirus Crisis? Retrieved from* [*https://www.forbes.com*](https://www.forbes.com)

*Credit Plus Financial Literacy Seminar Material*

**Definitions**

***1Credit Report****: a detailed breakdown of an individual’s credit history prepared by a credit bureau.*

***2Credit Score****: a number assigned to a consumer that indicates to the lender the consumer’s credit worthiness and capacity to repay a loan.*

***3FICO: Fair Isaac Corporation****-the first company to offer a credit-risk model with a score.*

***4Revolving Credit****: credit that is automatically renewed as debts are paid off; it replenishes up to the agreed upon threshold, also known as the credit limit, as the customer pays off debt.*

*5* ***Installment Loan****: any loan repaid with regularly scheduled payments or installments. Each payment includes repayment of a portion of the principal amount borrowed and the interest on the debt borrowed.*