

1. Report their behavior

- Help them open a new line of credit that will be reported to the credit bureaus.
- Become a CBA Reporter - make loans and report them!
- Encourage clients to only buy on credit from creditors that report to the credit bureaus.

Did you know? Buy Here/Pay Here, Pay Day Loans and Title Loan Companies don't report to a credit bureau.

2. It's important to be **ACTIVE!**

- Active lines of credit have regular monthly activity in the last 6-12 months.
- An open installment loans (i.e. school or car loan) with regular monthly payments is active. A loan that was closed 6 months ago is aging, and no longer active.
- An open credit card or line of credit is only active if there are regular monthly payments in the last 6 months.

What's the best way to keep a credit card active? Encourage your client to purchase one item and pay it off over several months OR use the card to make one purchase each month (i.e., gas) and pay off in full each month. The second way is interest-free! Both ways build credit.

Helping someone to buy an asset in 2 years? Offering them a 6 month credit builder loan is just the start. If they don't continue with active credit, that loan will be history 18 months later. To keep their score active, asset builders will want to have at least 2 lines of credit when they apply for their mortgage or loan.

Did you know? An open credit is not the same as an active credit card. Active credit is credit with regular payments (i.e. monthly) within the last 6-12 months.

3. On-time is the only time

- Help clients budget so they can pay back all open credit on-time every month - credit scores can start to increase in just 6-12 months and reward their good behavior!
- Remind borrowers that saving on fees and interest lets them save in the bank.
- Always pay at least the minimum payment on-time.
- Always have a monthly payment - but it can be a new monthly balance to save interest.

4. Diversify your portfolio

- Help clients open a 2nd line of credit or loan from a different creditor.
- A collateralized or revolving loan with a balance of at least \$2,500 is needed for some mortgage products.

Did you know? The size of the credit does not matter. Charge one expense that you would normally pay cash for (such as groceries or gas) and put the card aside.

5. It's not cool to be THIN

- Credit bureaus define less than three lines of credit a THIN file.
- Clients with a thin file may have no score or a lower score.

6. \$AVE to pay old debt/collections in full

Help clients negotiate one lump sum settlement on overdue accounts.

- Creditors will often "settle for less than full amount" to collect on an overdue account.
- Recent activity or ongoing small payments may lower a score (i.e. be calculated as activity) until it ages or reset the clock on how long the negative information is reported.

- You may be able to negotiate with the creditor/collection agencies to remove derogatory credit from a report if the account is paid in full.

Did you know? Reporting is voluntary, and it costs money to report to credit bureaus. Creditors may not keep your bad credit up-to-date and aging bad credit has less of an impact than current bad credit.

7. Don't MAX out

- It is best to maintain credit card balances under 33% of total credit limit and always under 50%. A high amount of debt to credit limit lowers a score.

8. Keep old friends

- A longer credit history is a benefit.
- Closing your oldest credit card lines just to close them or to open newer lower interest lines of credit may lower your score.
- Closing lines of credit reduces your total credit line, increases your percent of debt outstanding to total credit and may lower your score.

9. Binge shop for rates

- Lender inquiries for the same type of loan within 30 days counts as just one inquiry. So, it is best to shop around for a car or a mortgage in a few weeks.

10. Alternative credit matters, too

- Paying back your utilities, rent and telephone bills on time every month can help access credit, especially for borrowers without a credit score.
- It is good to keep a file of documents to demonstrate on-time payments for 12 months.
- Individuals can sign-up at www.PRBC.com to start an alternative credit score.

11. Know how it rates

- Credit card companies and Pay Day lenders make most of their money on fees and interest rates dues to late payments.
- 15% interest rate on a 2-week pay day loan is actually 390% interest when expressed as Annual Percentage Rate (APR).

Did you know? 91 percent of pay day lender revenue is from borrowers who cannot pay off their loans when due.

12. Three times is the charm!

- Encourage borrowers to review their Credit Report for free with each of the three major bureaus. They may want to rotate and get one report every four months.
- If there is a mistake or derogatory information, encourage borrowers to contact the creditor first. Creditors may remove a late payment from the file of a valued customer.
- If the creditor does not fix inaccuracies, then borrowers have the right to bring a dispute directly to the credit bureau(s). The credit bureaus then re-verify the dispute within 30 days with the creditor or remove the information.

Remember -- A credit score takes into consideration lots of different information and no one action or piece of information alone will determine your score -- the relative importance of any factor depends on the overall information in your credit history. Credit building strategies will be as unique as each of your clients.