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Credit Scores – More Important Now Than Ever

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One can't turn on the radio or network news without hearing another story about the "mortgage crisis" or the "credit crisis" these days. The financial impact from bad loans, mortgage fraud and irrational loan products has disturbed the credit markets and the losses are adding up. As long as a person has at least a 680 credit score, the credit crisis should not impact his or her personal finances – right? It may be surprising that such a score is no longer acceptable. The consumer – yes, you and me – could be in line to finally face the crisis.

Banks and lenders have substantially tightened their lending standards for new auto, mortgage, and commercial loans. Many lenders are raising their interest rates and insurance companies are raising their insurance premiums for those who have sub-740 credit scores. Every financial instrument is being impacted in one way or another by this credit crisis. Future consumer credit will require much higher credit scores than what we have seen in the past. Consumers need to build and to maintain their scores in the golden range of 760 to 850. Individuals need good credit scores for reasons other than loans, such as insurance, prospective employers, and landlords.

What can you do? First, get a copy of your credit reports. Go to www.annualcreditreport.com. You will begin where it says "Start Here." Select your state from the dropdown menu and click "Request

Report." Fill in the information, then select from TransUnion, Equifax, or Experian. Do not click on the individual credit reporting agencies at the bottom of the page as it will take you directly to that site. Since you can get one free credit report per year from each of the three credit reporting agencies, space them out over the year. For example, get your TransUnion report each October, Equifax each February, and your Experian report each June.

Check your report for errors and clean them up. Visit

<http://ftc.gov/bcp/menus/consumer/credit/reports.shtml> for information on how to do this. The Federal Trade Commission will provide guidance on such topics as "Your Access to Free Credit Reports," "Getting Credit When You Are Over 62," "Credit and Divorce," and "How to Dispute Credit Report Errors." These are downloadable pdf files and many of them are in Spanish.

Second, while these reports are free, you will have to pay a nominal fee to get your FICO or credit score. Do it, as you will want to know your score. You can also pay to get your accurate credit scores from www.MyFICO.com (Fair Isaac Corporation) or perhaps a lender will tell you what your score is, especially if you have just received a new loan. Even if you have to pay a small fee for your credit score, it can be beneficial.

Third, identify ways to increase your scores. This step is critical. There are many viable ways to increase a credit score in a relatively short period of time. Again, the FTCs Web site, <http://ftc.gov/bcp/menus/consumer/credit/reports.shtml>, will provide information such as, “Building a Better Credit Report,” and “Credit Repair: Self Help May Be Best.”

Additionally, there are many classes taught, some of which are free. Check out colleges, universities, community centers, financial institutions, credit counseling services, not-for-profit organizations,

and libraries. Go to www.utahsaves.com and sign up as a Saver. You will be notified by a monthly e-newsletter of classes taught around the state. An educational forum is available in conjunction with the Utah Saves program called *The Drive to 850* to teach people how to raise their scores. You can find more information about upcoming classes at <http://www.TheRoadto850.com>. Raising and maintaining your credit score at this level will minimize the credit crisis impact on your personal finances. Remember, a sub-740 credit score can cost you dearly.

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