
Credit 101

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PREMIERCREDIT
ADVOCATES FOR CREDIT HEALTH

Understanding Your Credit Report

What Type Of Accounts Are On Your Credit Report?

- **Revolving Accounts:** Credit lines that allow you to borrow up to a specified amount, of which you can pay back over time. For example, credit cards.
- **Installment Accounts:** Loans that have a specified period of time for which you will pay back the loan in installments. For example, auto loans or student loans.
- **Mortgage Accounts:** Loans specific to real estate as either an Installment or Revolving line of credit.
- **Collections:** A derogatory debt that an original creditor has sold/ transferred to a third party to collect on the unpaid balance. For example, medical or cell phone collections.
- **Public Records:** Accounts that are on file with local, county, state or federal courts. For example, Bankruptcies.

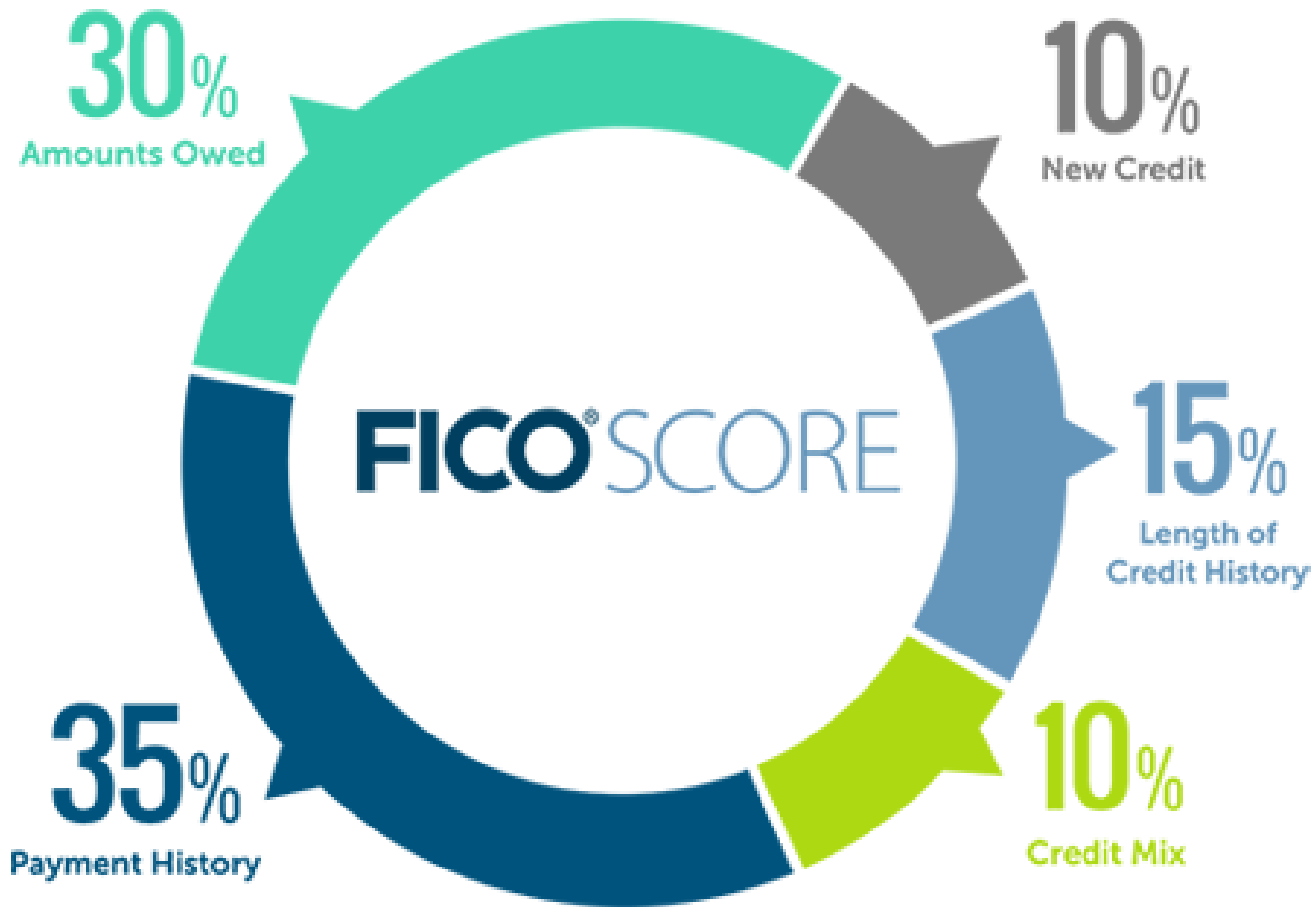
Information Listed On An Account

- **Age of Account:** How long the account has been open.
- **Payment History:** A history of your payment activity.
- **Balance Information:** The balances owed and the credit limit or original loan amount.
- **Account Status:** Reporting of if the account is Open or Closed.
- **Account Type:** The type of loan or debt. For example, a revolving or installment account or a collection or charge off.
- **Original Creditor:** The name of the creditor associated with the account.
- **Account Number:** The identifying number connected to the account and creditor.
- **Account Ownership:** Individual, Joint, or Authorized User
- **Account Notations:** Notations left by the consumer or creditor regarding the account.

How To Spot Errors or Inaccuracies On Credit.

- **Missing Creditor Information:** Some consumers deal with accounts that are reporting without a creditor listed.
- **Inaccurate Balances:** This is most common with collections or derogatory accounts, where an account that was paid is still showing the original balance, negatively impacting your credit health.
- **The Accounts Are Too Old:** If a collection is past the Federal Statute of Limitations of 7 years from the Date of Last Activity, that account should no longer be able to report on credit.
- **Inaccurate Payment History:** Inaccurate late payments have a major impact on credit health. Check your credit report regularly to ensure the payment history of your accounts is accurate.
- **Mixed Credit Profile:** Unfortunately, if someone has a similar name or social security number as you, their information can end up on your credit report.

What Goes Into A FICO Credit Score?





Does Paying A Collection Hurt My Credit Health?

The answer to this can be complicated. In general, if you know you owe the money, it is important to pay it back. Unfortunately, when paying that collection (if it is not a medical related account) it can update the Date of Last Activity, resetting the statute of limitations, which can negatively impact your credit score.

This is why we advocate for understanding how to dispute, validate, and negotiate an account to avoid potential negative impacts to your overall credit health. If you do pay a collection without following those steps, it's okay. The impact of that paid collection will dwindle over time, which could be months to years depending on the other factors associated with your credit profile.

Optimizing Your Credit Score For A Home Purchase

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- **Credit Card Utilization:** It's been recommended that carrying a balance between 1-9% of the available credit limit will help you optimize your credit health. How you use credit cards has a significant impact on your FICO credit score, so be sure to take this on as your first option to optimizing your credit scores.
 - **Inquiry Management:** Unnecessary inquiries are a silent anchor to your growing credit score. If you have a healthy mix of credit accounts, it is wise to be conservative with any new inquiries for credit accounts. Common accounts to avoid would be store or retail credit cards, personal loans, and co-signing for other peoples accounts.
 - **Payment History:** If you're looking to build an iron clad routine, consider setting up auto-pay for all monthly payments, and schedule a day each month to review and ensure the payment was processed correctly.
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Steps to boost your credit before a loan application.

- **Step One:** Give yourself time and build a plan. Regardless of where your credit score is at, it's a good practice to take time to boost your scores to get the best available product and interest rate.
 - **Step Two:** If possible, either pay your credit cards off or carry a balance below 9% of the available credit limit to boost your scores.
 - **Step Three:** Set your important loan payments up on auto-pay.
 - **Step Four:** Take action on resolving or removing derogatory items that are impacting your credit health.
 - **Step Five:** Avoid any new inquiries that are not associated with your upcoming loan or purchase.
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Protecting Your Credit Health



Identity Theft & Credit

According to Experian, "Financial losses from fraud rose 77% from the previous year (2020), to more than \$6.1 billion". Identity theft is a growing concern for anyone who is serious about building and maintaining their credit health.

One of the best ways you can protect yourself from identity theft is by monitoring your credit report regularly for unauthorized inquiries or accounts opened in your name. Spotting these issues early can help you quickly find a solution. If you don't have a major purchase in the near future, freezing or locking your credit profile is a great layer of protection against fraud.

If you are a victim of identity theft, the FTC and the CFPB offer free tools and resources. You may also check out Premier Credit's Resource Page for things that you can do to take action against identity theft at www.premiercredco.com/free-resources.

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- According to the FTC, a credit freeze restricts access to your credit profile from you or anyone else looking to open a new credit account. Credit freezes do not inhibit your ability to monitor your credit report, but will limit your ability to apply for new credit.
 - The big three credit bureaus all offer the option to freeze your credit profile, and the option to temporarily suspend the freeze or remove it entirely.
 - If you don't have any major purchases coming up, applying a credit freeze can limit the threat of identity theft, and protect against serious issues that can harm your credit.
 - Be sure to remove a credit freeze before applying for a loan to ensure there aren't any problems with your application.
 - **Credit freezes do not stop collections or derogatory account information from reporting on your credit profile.**
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How to apply a credit freeze or credit lock:

- Experian:
 - Website: <https://www.experian.com/freeze/center.html>
 - Phone: 888-EXPERIAN
 - Equifax:
 - Website: <https://www.equifax.com/personal/credit-report-services/credit-freeze/>
 - Phone: (888) 298-0045.
 - TransUnion:
 - Website: <https://www.transunion.com/credit-freeze>
 - Phone: 800-916-8800
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