Sarae:	00:00	Hello, you're listening to the Clear Money program's online radio show. I'm your host, Sarae Kurth, Community Relations Coordinator at Denver Community Credit Union. Denver Community is a not-for-profit financial cooperative serving the people of Denver, Arapahoe, and Adams counties. On this show, I'd like to welcome Ms. Amy Fidelis, who was the Financial Education Director at mpowered, formerly Community Credit Counseling Services. Mpowered as a non-profit resource for individuals and families in Colorado who want to learn about money management and participate in coaching to achieve their personal definition of financial success. We'll be talking about top tips for improving your credit. Hi, Amy. Thanks for joining me.
Amy:	00:39	Hey there. Thanks for having me. Let's start out by having you tell us a little about your background and what you do at mpowered.
Sarae:	00:45	Sure. I'm one of the accredited credit counselors here. We do financial coaching and our mission is to empower families and individuals to think, feel and act differently about their money, which means we do individual coaching and classes in the community and try to get awareness and information out around, you know, a healthy financial lifestyle, which might mean paying off that or building up savings. And it's amazing work to be a part of.
Sarae:	01:13	Yeah, it sounds like it. So what are the top strategies that you would recommend for improving someone's overall credit?
Amy:	01:19	Sure. Well, the first thing you need to do is know what's on your credit. So seeing your credit report is crucial. You can do that in a couple ways. One is through annualcreditreport.com. That's the free website that connects to all three bureaus and is sanctioned by the Federal Trade Commission. You could also see a non-profit like us. We can pull all three reports and scores and analyze that and let you know what the next best steps are to take. But really, you know, knowing what's on there is the first step.
Sarae:	01:47	And what are you looking for when you look at your credit report? Are you just looking to see that everything on there is yours or is there a time factor that you should consider as well?
Amy:	02:00	Sure. Yeah, I mean, you want to make sure, did you actually take out that loan? If something has gone to collections, how long has it been since you paid on it or since the debt originated? Are the balances correct? Is, you know, even the

payment history correct? So you are looking to see if there are errors and then if something is correct, how is that in that impacting your score?

Sarae: 02:22 Right. And I was surprised to learn a few years back that every late payments stays on your credit report for seven years. So is that something that is heavily weighed when factoring into your credit and credit score?

Amy: 02:36 Sure. So your payment history is 35 percent of your overall score. So a late payment certainly would have an impact and yes, negative information can stay on for seven years and depending on the type of information, like a bankruptcy, depending on the type might stay on for even longer. So you know, its impact on your score can go down if you make up for it by continuing to make on time payments or building other, what we call trade lines, which are things that report to the credit bureaus.

Sarae: 03:09 OK. And so even if paying off collections and catching up on late payments doesn't necessarily improve a credit score, does your credit look better to lenders and creditors if you are continuing to pay down that debt even though it might not necessarily erase the negative items from your credit report?

Amy: 03:27 Sure. So there's a couple things going on in that question. One is yes, the amount of overall debt you have as part of your credit score. And so having, for example, a credit card with $100 limit and then you use $99 of it every month. That's a problem because it shows that you're using up to the limit basically. But lenders also look at the rest of your credit picture. So you know, what's your character like? What's your capacity? Do you have any collateral? So in other words, what's your overall debt to income ratio? How long have you been at your job?

Sarae: 03:27 Right.

Amy: 04:02 You know, those types of things, to how much money do you have in savings? They'll look at the bigger picture. It's also important to know that on your credit report itself, only certain things report whether they're positive or negative. So those are traditional loans like student loans, car loans, mortgage, lines of credit, those are going to report whether you're positive or negative. On the other hand, we have things like rent and utilities and medical bills that only show up once they've gone to collections. And so it's important to pay all those things on time so they never even reached your credit report in the negative.

Sarae:	[04:37]	OK, cool. And you had mentioned credit card utilization. Is there an ideal, meaning you know, what percentage of your credit limit should you charge or utilize month to month?
Amy:	[04:48]	Sure. Generally speaking, the recommendation is 30 percent or less. So not letting your balance go above that. You could alternatively raise the limits on your cards, but you know, then you're getting into a sticky situation where you're just maintaining a level of debt, which you know, for your overall financial picture, there's credit and then there's your overall financial health. Credit is a huge part of it, but you don't want to go into debt just to have a good credit score necessarily, right?
Sarae:	[04:48]	Right.
Amy:	[05:13]	You want to keep everything in view and make sure you're making good healthy choices for you and your family.
Sarae:	[05:20]	Yeah, that makes sense. And so what about the mixed use of credit? Is it helpful for someone's credit to have an installment loan, a student loan, mortgage, car loan, as opposed to only having revolving loans, like credit cards or lines of credit?
Amy:	[05:35]	Yes, installment loans definitely have a better impact on the score and can be a huge benefit, and all those types of you mentioned are great examples. You can also kind of create an installment pattern with a credit card by paying a set amount every month. You could, you know, do a credit builder loan, like some credit unions have like Denver Community where the credit union money puts money in your certificate and you make payments against it. So anything that reports in a set monthly pattern is great compared to revolving debt.
Sarae:	[06:07]	Very cool. Well, thank you so much for sharing your time and knowledge, Amy. Could you please share your contact information with our listeners so they can reach out if they have any questions?
Amy:	[06:16]	Definitely. Any questions or if you want to have your credit looked at by a non-profit, give us a call here 303-233-2773 or email me directly amy@mpoweredcolorado.org. That's M in money powered Colorado dot o, r, g.
Sarae:	[06:32]	Thanks again for more information about this topic. Feel free to email education@denvercommunity.coop. Follow Denver Community on Twitter or Facebook for personal finance tips

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