

Sarae Kurth: [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 Miss Amy Fidelis, who is the Financial Education Director at mpowered, formerly Community Credit Counseling Services. mpowered is 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. Hi Amy, thank you for joining me.

Amy Fidelis: [00:36](#) Thanks for having me.

Sarae Kurth: [00:37](#) Let's start out by having you tell us a little bit about yourself, what you do at mpowered.

Amy Fidelis: [00:42](#) Sure. I'm one of our accredited credit counselors here. I help do our financial coaching and um, really further our mission to empower families and individuals to change the way they think, act and feel around money. And what that looks like is, um, individual coaching sessions to help you pay off debt through that management plan, or checking your credit and helping you improve that or maybe a class in the community. So there's lots of ways that we can reach folks, but it's really exciting because it's something I'm fairly passionate about, so I'm happy to be here.

Sarae Kurth: [01:14](#) Absolutely. So, many people don't realize what their credit looks like until they were about to apply for a loan or credit card. Consumers are entitled by Law to request a free annual credit report from all three credit reporting agencies, but credit scores are not provided free of charge. Is it important to know what your exact credit score is?

Amy Fidelis: [01:35](#) It is. In the case that you mentioned, if you're applying for a loan, you want to know what kind of rate you're looking at because we're talking about thousands of dollars that you are going to either pay or save depending on what kind of score you have. So it really is worth taking the time to figure out what it is. If you're not in, you know, um looking for a loan, a job, a place to live or better insurance rates, then you know, you don't have to worry about your score that much, but it's pretty comprehensive.

Sarae Kurth: [02:03](#) And does each of the credit bureaus have their own credit score for consumer?

Amy Fidelis: [02:08](#) They'll each have an individual number. They, um, typically what lenders look at and care about is the FICO scoring model. There are variations of that, that exist, but yeah, so you could have maybe let's say a 720 with Experian, a 740 with Equifax, and maybe a 732 with TransUnion.

Sarae Kurth: [02:30](#) But, they're kind of based on the same framework to decide how the credit score is calculated?

Amy Fidelis: [02:38](#) Exactly. They're using the same model, the FICO model. Um, so they have the same percentages that go into what activities influence your score, but they are going to be different because each lender might report to only one or two of the bureaus, or maybe all three. So maybe a loan I have over here with Bank A shows up on Experian, but it doesn't show up on TransUnion because they don't report to them. So that's how some of those differences in the score.

Sarae Kurth: [03:06](#) That makes sense. If someone is denied a loan or a credit card, are they entitled to the credit score the lender pulled when the consumer tried to open an account with them?

Amy Fidelis: [03:17](#) Well, um, if they have what's called an adverse action, then they are entitled to get a free copy of the report. Um, my understanding is that under risk based pricing rules, then they might also get their score, but the adverse action term generally just refers to the report itself. Does that make sense?

Sarae Kurth: [03:38](#) And so what are the fastest and most effective ways to improve any credit score?

Amy Fidelis: [03:44](#) Um, well, yeah, sometimes fast and effective are contradictory. One thing is you've got to look at your report to know what's on there and clean up any mistakes, and that can take time because when you order your report, if you get it through the mail, especially as slower, um, and then you dispute the items and the bureau goes to investigate, and then you go on from there. That can take awhile, but definitely worth doing, um, because there are mistakes on the report that happens very easily. Um, you know, credit is a lot about prevention. So keeping it from going downhill by making on-time, monthly payments. Um, you know, making sure you use a product that actually reports to the bureaus and is also good for your budget, right, not just going into credit card debt just to create a credit score, but on time payments and generally speaking, if you are struggling with your credit score, they're probably items in collections. So cleaning them up is a great way to quickly and easily improve your score. And then creating a new trade line

and a new credit payment pattern can help immensely. And especially that's an installment loan. So, you know, sometimes we'll even tell clients to if they can, if they have cash and can use that as collateral or to even, um, you know, let's say they buy a car and then can pay it off much more quickly than the original terms that they can go get an installment loan for short term and that can help boost their score. Of course, that has to fit within your budget and your overall financial goals. We don't advise doing something just for the sake of credit. It has maintenance for your overall financial picture.

Sarae Kurth: [05:31](#) And so paying more than, than the minimum would contribute to paying down your overall debt, which was also improve your credit score?

Amy Fidelis: [05:38](#) Sure. That's a huge area that you could do to help. And you're right, I should've maybe mentioned that off the top. Pay Down your debt. Uh, you know, that, that helps because part of your credit score, a huge part of your credit score is based on how much debt you have out there. Um, so let's say I've got a credit card with a thousand dollars and I'm, I've got a \$900 balance that's really hurting my score. I want to bring that down to below 30 percent of the limit. Um, and then that's going to help my score immensely. And then obviously bringing it down to zero would help both my budget and my score because now I'm not paying interest anymore.

Sarae Kurth: [06:14](#) And approximately how much time does it usually take to increase the credit score when you're making a concerted effort to follow some of the tips that you shared?

Amy Fidelis: [06:23](#) Um, so, you know, we say between six and 12 months, but I've seen folks improve it in as short as two months. So what happens with the scoring model is 35 percent of your score, your payment history, 30 percent is the amount owed, 15 percent is 10 percent is new credit and 10 percent is types of credit use. So the 35 percent and the 30, those are the big areas, right? So let's establish an on-time payment history and let's pay down your debt and those are great ways to really impact credit and again, we like to tell people the longer amount just so that they can be patient and stick with it. But I have seen improvement in a very short amount of time.

Sarae Kurth: [07:07](#) Cool. And so you mentioned, um, the length of time you've had credit, is it typically not a good idea to close accounts that you have open because it would shorten your credit history?

Amy Fidelis: [07:19](#) I know it's only 15 percent as opposed to 30 or 35 bucks. Right. But it's still a factor. And so yes, that is a good question. And again, I would say, does it fit within your overall financial picture? Is this a card that's constantly charging you fees or you don't like the way they do business, but you can just stop using it. You don't have to close it out because keeping the trade line open is an important part of your overall credit history and also can contribute to that overall credit limits. So, um, you know, if you have an open card with an available 5,000, that makes it look like you're not maxing everything out if it's not being used.

Sarae Kurth: [08:03](#) And um, so as you said, it's, it's possible that the credit score isn't the most important thing. It's possible to carry a lot of debt and have a good credit score. So it's not necessarily the best indicator of financial well-being because the score doesn't factor in your debt to income ratio, which a lot of lenders look at before approving a loan. But if you are not just solely focused on the credit score, as you said, it's a good idea to pay down debt, pay things on time. Any other tips for financial well-being that help your credit score? But aren't necessarily factors on there, you mentioned cleaning up mistakes, uh, do those mistakes disappear from your credit report after you've, you know, paid off a collection account or do they stay on there even if you've paid them?

Amy Fidelis: [08:50](#) Right. So once a negative item is on there, if it's accurate and verifiable, it will stay. It'll, it'll just go down to a zero balance or could show as paid in full. But it will remain on the report for seven years. How much it factors into your score depends on other things that you're doing to clean it up. But yeah, credit is not the be all and end all of your financial life. But don't get me wrong, it is very, very important. Um, especially because how many agencies and industries are using it? Right? So like I mentioned earlier, insurance, jobs, um, places to live, security clearance, loans, you know, they're all looking at that and using that. So it does play a key role, but we want to look at the person's whole financial picture and their whole life. So other pieces that are important are how much money do you have in savings? Right? So if something happens, are you going to immediately need to rack up a big credit card bill or will you be able to take care of it with the money you saved up? Do you know how much money you make and how much money you spend so that you can again, build those savings. Are you paying into retirement so that in the future you won't have to rely on credit so much. So again, you can do things outside of credit that will impact your credit even though they don't show up on your report. Because if I've got an emergency fund, I don't have to max out on my credit cards. Um, and so then my credit's

going to stay in good shape and my stress levels are going to go down. It's just getting to the point to be able to build up that fund. That can be tough. Um, but you know, so that's one of the reasons why as a non-profit, we offer debt management plans in addition to checking your credit and helping you improve that because we want to be able to help you do the things that will improve your credit, um, outside of just looking at the report, like paying down debt.

Sarae Kurth: [10:44](#) Thank you so much for your time and expertise. Amy, could you please share your contact information with listeners so they can reach out if they have any questions?

Amy Fidelis: [10:52](#) Sure. If you want help checking your credit or paying off debt or building up savings, come see us. Give us a call 303-233-2773, or email me, amy@mpoweredcolorado.org. You can also find us on the web, www.mpoweredcolorado.org. That's "m" as in "money", powered Colorado.

Sarae Kurth: [11:13](#) Fantastic. Thank you 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 and community news. Our website is www.denvercommunity.coop/education. Thanks for listening.