



## **Take Control of Your Credit**

*By Leslie Hoffman, Director of Lending, ACCIÓN New Mexico*

Ever tried to borrow money from a bank? What about applying for a credit card? Have you ever financed the purchase of a car? The banker, credit card company or car dealer probably asked about your credit history.

For some, it's an intimidating question, but it doesn't have to be. You can take control of your credit if you understand what it is and what it can do for you.

Credit is the ability to borrow money to pay for things. Good credit means you make loan payments on time and pay off your debts when they are due. Poor credit means you miss payments, don't meet pay-off deadlines or have too much debt.

Credit can be useful in emergencies if you need money quickly. It can also allow you to make larger purchases when you don't want to pay the full amount at one time. For entrepreneurs, it can be a critical element in the growth or start-up of a business.

Financial institutions verify your credit through a credit report that reflects how you have handled your debts. There are three national agencies that produce credit reports – Equifax, Experian and Transunion – and all include similar information in their reports.

Common elements include personal information such as your Social Security number, birth date and employment record; your borrowing history; a record of creditors who have reviewed your credit history; and other information that is public record, such as foreclosures or bankruptcies.

Credit scores generally range from 350-850, with most people scoring in the 600-700 range. A high score indicates good credit. Lenders review your score to determine the amount of loan for which you qualify and the interest rate that will be charged.

An important step toward good credit is to understand your score. Credit is like a garden – whether overgrown or thriving, you need to tend it regularly. You have the right to get a free copy of your credit report every 12 months from each of the national consumer credit reporting companies. You can make a request through [www.annualcreditreport.com](http://www.annualcreditreport.com).

When you receive your report, review it carefully for errors. Make sure there aren't any paid debts that have not been reflected. If there are errors, you can dispute them.

If you need help repairing your credit, there are people who can help. Consumer Credit Counseling Services, a non-profit agency, provides confidential low-cost counseling, educational programs, debt management assistance and housing counseling in New Mexico. Services can be obtained online at [www.ccsintl.org](http://www.ccsintl.org) or over the phone at 1-800-873-2227.

You can build a strong credit score by:

- Making on-time payments to all creditors
- Reviewing your credit report every year to ensure it is error-free
- Avoiding “maxing out” credit cards by approaching or going over your account’s limit
- Paying off each balance and avoiding the transfer of balances to another card
- Limiting the number of new accounts you apply for and open
- Being cautious about co-signing or co-borrowing; payments made late by your fellow borrower can negatively affect your credit score

If you do not have a credit history and want to build one, you can apply for a small, manageable loan at the bank or credit union where you have checking and savings accounts. Owners of small businesses can apply at organizations like ACCION New Mexico that work to help people establish business credit.

Creating a good credit record may take a few years since you must demonstrate over time your ability to make payments. But the time is a worthwhile investment in your financial future.

If information is power, then better information about your credit can financially empower you to close your next business deal. Take control of your credit so it doesn’t control you!

Credit reports can be obtained through:

**Equifax**

[www.equifax.com](http://www.equifax.com)

1-800-685-1111

**Experian**

[www.experian.com](http://www.experian.com)

1-888-397-3742

**Trans Union**

[www.transunion.com](http://www.transunion.com)

1-800-916-8800

*Finance New Mexico is an initiative of the New Mexico Small Business Investment Corporation (NMSBIC), New Mexico Small Business Development Center (NMSBDC), Empowering Business Spirit (EBS), the New Mexico Venture Capital Association (NMVCA) and other partners to assist individuals and businesses in obtaining skills and funding resources for their business or idea. To learn more about resources available to New Mexicans, go to [www.FinanceNewMexico.org](http://www.FinanceNewMexico.org).*

