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**SESSION 1: BUILDING CREDIT**

**We will be discussing the following:**

1. **Build Your FICO Scores**
2. **Handling Creditors**
3. **Building a Better Credit Report**

*Please make sure you have a pen and paper for notes*

**BUILD YOUR FICO SCORES**

When looking to improve your FICO score, you should regularly check your credit report, set up payment reminders, and work to reduce the total amount of debt you owe. Your payment history contributes a staggering 35% to a FICO Score calculation and this category can and will have one of the most significant impacts on how you can improve your FICO score as you will see in the information outlined below.

During our coaching session, we will discuss the following.

1. **Make Sure Your Credit Reports Are Accurate**
2. **Pinpoint What You Need to Improve**
3. **Create a Plan to Improve Your Credit Score**

**HANDLING CREDITORS**

1. **Avoid Drama**

Try to stay calm, no matter what the person on the other end of the line says. You’ll get nowhere if you lose your temper.

1. **Take Notes**

Have a pen and paper handy, so you can take written notes whenever you talk with a collector. Write down the name of the person you talked to, when you talked, and what was discussed. Not only can this help you take the emotion out of the situation, but you’ll also have a record if the creditor or collector broke the law in their attempts to collect.

1. **Read (& Save) Your Mail**

Don’t throw away mail from your creditors or stuff it in a drawer. Open it, read it, and save it in a file.

1. **Know What You Can Afford**

Go over your income and expenses with a fine-tooth comb, figure out what you can afford, and only agree to pay a realistic amount. If you agree to a payment plan, you will likely pay more over time. If you do agree to a payment plan, make sure you understand the total amount you will pay.

1. **Deal with Creditors, Not Collectors**

If possible, try to work out an agreement with your creditors before a bill is sent to collections. While late payments affect your credit reports and scores, collection accounts can result in even greater damage.

By the way, it’s a myth that if you are paying something toward a debt (even $5 or $10), it can’t be turned over to a collection agency. Once a debt has been sent to collections, you may have no choice but to deal with the collector.

1. **Get it in Writing**

When you do come up with a payment arrangement, or a debt settlement letter, get it in writing before you pay a penny. Otherwise, the terms can change, and it will be your word against theirs. We’ve heard of consumers being hounded for balances they thought were resolved years before.

1. **Put the Past Behind You**

Remember, catching up on a delinquent account, or paying off a collection account, won’t improve your credit unless you can get the creditor to agree to remove the late payments.

Otherwise:

* Late payments can stay on your credit report up to seven years from the original delinquency.
* Charge-offs can remain for up to seven years from the date the creditor wrote the debt off their books as a loss.
* Collections accounts can remain for seven years plus 180 days from the date of the delinquency immediately ahead of the collection activity.

Still, all hope is not lost. Even if it’s not possible to have negative items removed from your credit reports, you can still begin to build better credit as soon as your debts are resolved.

Plus, assuming no new negative information emerges, your score should come back up the further and further you get away for all those original delinquency dates.

**BUILD A BETTER CREDIT REPORT**

*3 Important Things You Can Do Right Now*

**Setup payment reminders**

Making your credit payments on time is one of the biggest contributing factors to your credit scores. Some banks offer payment reminders through their online banking portals that can send you an email or text message reminding you when a payment is due. You could also consider enrolling in automatic payments through your credit card and loan providers to have payments automatically debited from your bank account, but this only makes the minimum payment on your credit cards and does not help instill a sense of money management.

**Reduce the amount of debt you owe**

This is easier said than done but reducing the amount that you owe is going to be a far more satisfying achievement than improving your credit score. The first thing you need to do is stop using your credit cards.

**Payment history tips**

Pay your bills on time: delinquent payments, even if only a few days late, and collections can have a major negative impact on your FICO Scores.

If you have missed payments, get current and stay current: the longer you pay your bills on time after being late, the more your FICO Scores should increase. Older credit problems count for less, so poor credit performance won't haunt you forever