

Ways to Manage Credit & Debt

Many homeowners have successfully used these strategies to handle debt while facing mortgage distress and repair their credit when their housing situation is resolved.

- ❑ **Knowledge is power—read your credit report line by line.** Check to see if there are errors on your report, which can reduce your score and could mean you get higher interest rates in the future. Ask your counselor for the [Credit Report Review Checklist](#).

One study found that 1 in 4 consumers have an error on their credit report. If there are errors on your credit report, first go through the formal dispute process. Later, you may want to ask your counselor for help in crafting a personal statement to add to your credit report.

- ❑ **Download your free credit reports once a year** from all three major agencies at www.annualcreditreport.com or by calling (877) 322-8228.
- ❑ **Sign up for a free www.creditkarma.com account.** This website gives you updates when your credit score changes.
- ❑ **Keep making minimum payments.** Payment history is the biggest factor in determining your credit score. Always make your minimum payment on credit cards. Another important factor in determining your credit score is how much you spend each month relative to your total available credit. This is called “utilization.” When possible, try to utilize less than one-third of your total available credit across all cards.
- ❑ **Sign up for automatic payments** to pay credit cards and other loans so you don’t accidentally miss your due date. But be certain that you have enough funds in the account to avoid overdraft.

If you have considerable other debt:

- ❑ **Fill out a [Debt Management Worksheet](#)** to help you prioritize how to pay your debts. Your counselor can provide you with this worksheet.
- ❑ **Be sure to check your [Income & Expenses Worksheet](#)** to determine how much you have available for debt payments.
- ❑ **If you’re struggling to make payments,** consider calling your creditors to ask for lowered interest rates or an easier payment plan.
- ❑ **If you’re having trouble making a plan to manage your debt,** a financial counselor can help you determine which debts to prioritize based on your individual circumstances, as well as strategies to negotiate with creditors and making sure you have the protections of consumer debt collection laws. Ask your housing counselor or legal services provider for a referral to free financial counselor or visit a Financial Empowerment Center.

- ❑ **Consider using a reputable non-profit debt consolidation service** like Green Path (go to www.greenpath.com or call (800) 550-1961). Green Path charges a fee for their services, so only use them if your situation is complex. Be cautious of other companies that claim to settle your debt for a fee.
- ❑ **Be careful when a debt collector calls.** First, ask them to send you written information on the debt to make sure it is valid. It is important for you to review the debt before you confirm that you owe it or make an agreement to pay. New York City law requires that debt collectors send written verification within 5 days of contacting you. They must include the name of the original creditor, the amount owed, and instructions for you to dispute the debt.

After your mortgage situation is resolved, build up your credit record:

- ❑ **Beware of scammers who say they can “fix” your credit score,** especially if they make you pay a fee in advance.
- ❑ **If you don’t have much credit history, consider signing up for a “credit builder” account.** Many banks and credit unions offer secured loan accounts or secured credit cards to start building a positive credit record. After six months with a new account and on-time payments, your credit score could go up by as much as 100 points! Ask your counselor for a referral.

What steps will you take to get started? *Write down 2 new ways you’d like to start managing credit and debt better:*

What steps do you need to take to do this?

Did you know?

Writing down and visualizing action steps is a proven way to start achieving your goals.