

Why good credit is important



Why was she rejected?

Without “good credit” it is difficult to get a loan or credit. People with bad credit pay higher interest rates if they can even get loans. Bad or no credit might even prevent you from renting a home, buying insurance or getting a mobile phone plan.

What exactly does “good credit” mean?

“Good credit” means you have borrowed money and paid your bills on time. This includes your payments on loans and credit cards, and maybe also utilities, rent and other bills. Bankruptcy filings, overdue child support payments and other negative information will harm your credit.



What is a credit report?

The companies you borrow from report your payments to “credit bureaus” that track your credit activity. When you apply for credit or a loan, the company will get your “credit report” from credit bureaus. This way they can judge how you’ve used credit and paid your bills.



What is a credit score?

A “credit score” boils the information in your credit report down to a three-digit number that helps lenders make quicker decisions about whether to lend to you. The more positive the information in your credit report, the higher your credit score and the more likely a lender will lend to you. Lower scores could be a sign of a higher risk that you will not repay your debt, and lenders (or landlords, insurers, service providers, etc.) will be more likely to deny your application or charge you higher interest rates.



I don't have credit. How do I start?

If you've never had a loan or credit, you might not have a credit history. If you can't get a credit card, then a secured card might be a good option. These cards exchange your cash deposit for a credit line in the same amount (or a little more). After a number of on-time payments that help you build credit, you usually can upgrade to an unsecured card and get your deposit back.

What should you do now to start improving your credit?

Credit “To Do” list:

- Order your free credit reports at www.AnnualCreditReport.com and fix any errors. (If you don't have a credit report but should, ask current and past creditors what name they used to report your account.)
- See where you stand by getting a free credit score from your lender or from one of the sources at www.VantageScore.com/free, or by purchasing your FICO score at www.myFICO.com.
- Learn more about credit scores at <https://bit.ly/2G9wk1C>.
- If you need credit or debt advice, find a credit counselor at www.nfcc.org or 800-388-2227.



About Consumer Action www.consumer-action.org

Through multilingual consumer education materials, community outreach and issue-focused advocacy, Consumer Action empowers underrepresented consumers nationwide to assert their rights and financially prosper.

Consumer advice and assistance: Submit consumer complaints to www.consumer-action.org/hotline/complaint_form/ or 415-777-9635 (Chinese, English and Spanish spoken).

About this guide

Consumer Action created this guide in partnership with Oportun. Illustrations by Cherie Chen.