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News Release

## **Improving and Maintaining Good Credit**

Have you charged too much on credit cards? Are you paying less toward your debts than you should? If so, you are not alone. Many people are in this situation. Some ways to turn things around include:

- **Budgeting**

Many people design and stick to a budget to get their debt under control. A budget is a plan for how much money you have and how much money you spend. Sticking to a realistic budget allows you to pay off your debts and save for the widespread rainy day. Alabama Cooperative Extension has a *Money Management Calendar* that is a great tool for setting up a budget. Stop by your local office and pick one up for free. There are also computer software programs to help with a household budgeting. Decide which method is best for you in setting up a budget and follow it.

- **PowerPay**

This is a systematic way of repaying debts, developed by Utah State University Extension. To use this method, make level payments on all debts and accumulate no new debts. As one debt is paid off, that payment is applied to a new debt. A benefit of this program is the flexibility in deciding how to apply the extra payments, as debts are reduced or eliminated. The Power Pay program gives different scenarios, allowing you to choose the method that works best for you. Utah State has a free PowerPay calculator available free on their website at <https://powerpay.org>.

- **Credit counseling**

Many universities, military bases, credit unions and housing authorities operate nonprofit financial counseling programs. Some charge a fee for their services. Creditors may be willing to accept reduced payments if you are working with a reputable program to create a debt repayment plan. Consumer Credit Counseling Service of Alabama, Inc. (CCCSA) is a non-profit organization formed in 1967 by local community leaders and credit grantors. Call 1-800-662-6119 for the office nearest you.

- **Bankruptcy**

Bankruptcy is the credit solution of last resort. Unlike negative credit information that stays on a credit report for seven years, bankruptcies stay on a credit report for 10 years. Bankruptcy can make it difficult to rent an apartment, buy a house, get some types of insurance, obtain additional credit, and sometimes, get a job. In some cases, bankruptcy may not be an easily available option. If you are considering bankruptcy, contact your creditors. Let them know that you are having trouble. Many creditors are willing to set up a payment plan for lowering your monthly payments.

For improving your credit, what creditors evaluate is important. Some of the things they look at include:

- Your credit/loan application
- Your credit report
- Your bill-paying history
- How many accounts you have and what kind
- Whether or not you make payments on time
- How long you have had your loans/accounts
- Unused portions of lines of credit
- Any collection action
- Outstanding debt

For more information about this topic, please contact Regional Extension Agent Ruth Brock at the St. Clair County Extension office at (205) 338-9416 or email [brockru@aces.edu](mailto:brockru@aces.edu).

Source: Federal Trade Commission