

Credit Action Plan



Innovative
Changes
Making Change Matter

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Step 1: Understanding My Credit

Why is good credit important to me?

What are my credit building goals?

1.

2.

3.

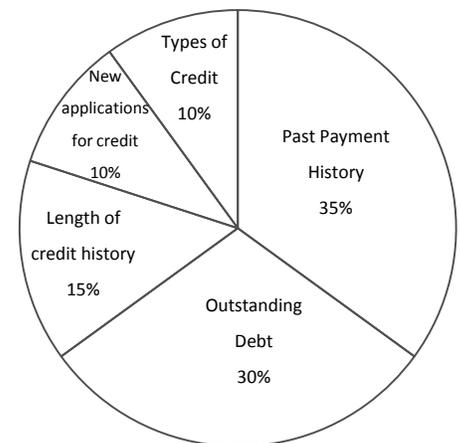
What are my credit barriers?

1.

2.

3.

Your Credit Score



Step 2: Get to Know YOUR Credit

- Get your **free credit report** from annualcreditreport.com.
We suggest that you pull one free report from a different credit reporting bureau every three months. This way you can monitor what's on your report, chart progress, and protect yourself from identity theft.
- Sit down by yourself, with an IC\$ coach or someone you trust to fully **review your report**.
- Make an **inventory of all your debt** (see IC\$ Debt Inventory Worksheet).
- Prioritize:** What debts do you want to take care of first?
*Pay attention to: Which debts are compiling interest? What will be falling off your report soon (negative accounts generally fall off after 7 years)? What can you afford to take care of? Which debts bother you the most? *Remember, you may not be able to take action at the moment, what's most important is staying up to date on your current bills (don't accrue new debt to take care of old debt), but prioritizing your debt load will set you up for future action.*
- Pull your score** from one of the credit bureaus (this costs money).
Wait to pull your score until you are aware of what is on your report and what steps you need to take to work on your credit—what matters most is what's on your report, however knowing your score is a good way to measure your credit building progress.

<u>Bureau:</u>	<u>Date Pulled:</u>	<u>Score</u>
Experian		
TransUnion		
Equifax		

Step 3: Take Action

- Dispute** any errors on your report.

50% of all credit reports contain errors. Some of them are harmless—mistyped names or addresses— and some may signal identity theft. It’s best to clear up all inconsistencies on your report online or by writing a dispute letter. Make sure that you document these attempts. Credit bureaus and collectors have 30 days to get back to you on the status of your dispute.

- Budget and Assess:** Create a monthly budget to find out if paying back debt fits in with all your other monthly expenses. (See IC\$ Budget Worksheet.)

This budget will help you organize your finances and calculate how much money you have to start taking care of your debt. Ensure that you’re daily needs are met, get back on track with debt that hasn’t gone into collections yet and then pick a reasonable amount to save each month in order to pay back older debt.

I will save \$_____ a month to pay back my debt.

- Start Saving to Settle:**

Do you have enough to settle some debts now or in the near future ? It is better to settle bad debts in one lump sum than to enter into a payment plan. Pick a settlement amount for each debt that you have prioritized. We suggest somewhere between 40-60% of your total outstanding balance. Based off your saving plan (above) estimate when you will have enough money to settle for each item.

Debt:	Amount to Settle For:	Date to Settle By:	Date Settled:	Amount Paid:
1.	\$			
2.	\$			
3.	\$			
4.	\$			
5.	\$			

Step 4: Stay Proactive!

- Establish 3 active lines of credit.

It’s good to have a mix of revolving (ex: credit card) and installment (ex: a loan or car note) credit. If you already have open lines of credit, it’s important to keep them open and most importantly current! If not, you may want to look into a secured or unsecured credit card with a trusted bank or credit union. or taking out a Credit Building Loan with Innovative Changes. Ask a financial coach for more information about opportunities to establish credit.

Revolving Credit Line: _____

Installment Credit Line: _____

3rd Line of Credit: _____

- Continue planning for a sound **financial future**

- Hold yourself accountable to long-term goals
- Once you’ve paid back your debt, keep saving money in an emergency fund, or in short or long-term savings.
- Create new asset building goals: invest your money safely and wisely in CDs, savings bonds, stocks or other strategic mechanisms.