



Protecting Your Credit Score During the COVID-19 Crisis

There's no way around the fact that COVID-19 is disrupting our lives. At Working Credit, we want to make sure you have the information you need to protect your credit during - and after - this crisis. Please review these tips, and don't hesitate to call our helpline at 773-904-9816. Counselors are available Monday through Friday from 9:00 am - 9:00 pm Central Time.

#1 Prioritize credit card & loan payments. Unlike the other bills you pay, credit card & loan payments get reported to the credit bureaus every month. What does this mean? Any credit card or loan payment that's more than 30-days late will show up on your credit report right away. Why is this a problem? A single credit card or loan payment that's 30-days late is considered "delinquent," and one "delinquency" can lower your credit score by 100-125 points. You can recover, but it takes 3 to 12 months. And, unfortunately, delinquencies stay on your credit report for 7 years.

Remember, with a credit card, you're only "delinquent" if you don't pay the "minimum amount due." During a crisis like COVID-19, you may want to pay the minimum - and keep other funds available for more pressing needs.

#2 If you can't make credit card or loan payments, get in touch with your creditors – right away. Many creditors are working with their customers to find personal solutions, such as: (1) waiving late or "returned check" fees, (2) waiving interest charges, (3) reducing monthly payments, (4) reducing interest rates, and/or (5) increasing credit limits. The key here is to be proactive. Reach out to your creditors by phone, and ask for their help. If you work out new terms, ask each creditor to put them in writing - before you get off the phone.

This next point is critical: If a creditor agrees to a reduced payment, ask for written confirmation that NO negative information will be reported to the credit bureaus. To be specific, you want to make sure the creditor will not report your "reduced payments" as "late payments." If the creditor refuses to provide written confirmation, take notes on your conversation, which will make it easier to dispute negative information later.

#3 If you have a mortgage owned by Fannie Mae, Freddie Mac, or a Federal Home Loan Bank, you may be able to put your payments into forbearance for up to 12 months - depending on your situation. If you don't know who owns your mortgage, don't worry. Call your loan servicer and ask if your loan is owned by Fannie Mae, Freddie Mac, or a Federal Home Loan Bank. If it is, see if you qualify for the program. And, if you get a forbearance, ask for confirmation in writing.

#4 If you have federal student loans, call your loan servicer and ask for an "administrative forbearance." The federal government is offering to suspend loan payments for at least 2 months, with no credit consequences. But, here again, you have to be proactive. Call your loan servicer and ask for an "administrative forbearance." Again, if you get a forbearance, ask for confirmation in writing.

On a separate note, the federal government has decided not to charge interest on federal student loans for at least 60 days (a provision that went into effect on March 13, 2020). This does not change the

amount of your payment. You still have to pay the full amount, but, for at least 60 days, 100% of your payment will be applied to principal.

#5 Once you address credit card & loan payments, turn to your other bills. If you're struggling to make payments, call those creditors – from your utility company to your cell phone company to your landlord – to see if you can stop required payments or get into a payment plan for a reduced amount.

Why is this important? If you're late on these bills, the credit bureaus will never know. But, if you miss several payments in a row - any creditor will likely (1) give up on you paying, and (2) turn the debt over to a collection agency. Collection agencies almost always report to the credit bureaus, and a single collection can lower your credit score by 40-50 points. They also stay on your credit report for 7 years - even if you pay them off.

The key here is to stay in touch. If a creditor hears from you – and hears from you regularly – they'll be less likely to give up on you paying.

#6 If you need to borrow, it often makes sense to use credit cards. Why? Credit cards are often the quickest, safest, and most affordable way to respond in an emergency. Remember, the average interest rate on a credit card is 19%, while the average imputed interest rate on a payday loan is 400%. If you need to rely on credit cards during COVID-19, keep these tips in mind:

- If possible, keep your balances - on every card - below 30% of the credit limit.
- If you have more than one credit card, spread your debt across your cards. It's better (for your score) to have two cards at 50% of the credit limit, than one card at 100%.
- If you have high balances on all of your cards, consider asking the credit card companies to increase your credit limits. Many companies are already offering increases in response to COVID-19.
- If you have a 0% interest credit card, and you're NOT worried about your credit score (because you're not planning to buy a home, buy a car, rent a new apartment, or get a new job in the next 6-12 months), use that card before the others. A high balance will lower your score, but it may be worth it to pay less in interest.

#7 Now and always, stay away from credit repair. Companies that offer credit repair charge about \$100 per month to get negative items off your credit report. They dispute every negative item, every month, hoping the credit bureaus will miss the 30-day window they have (by law) to respond. If they miss the 30-day window, the item comes off - and your credit score goes up. What's the problem? If the item was really yours (not there in error), it will show up again within a month or two, but you won't get your money back from the credit repair company. If you have real errors on your report, you can - and should - dispute them, but you can do that yourself for free (see this [article](#) from the Consumer Financial Protection Bureau).

Remember, Working Credit is here to help. Call our helpline at (773) 904-9816, Monday through Friday from 9:00 am - 9:00 pm Central Time.

Working Credit is a national nonprofit that helps U.S. workers build strong credit scores and reap the benefits – good rates and terms on car loans, mortgages, and credit cards; improved access to quality rental housing, and a buffer of available credit for emergencies.

