

Raising your Credit Score

Whether you're purchasing a house, an automobile or applying for a credit card, lenders want to know the risk they're taking by lending you money. Most lenders determine your credit risk by taking into consideration your FICO score. Your score can affect your ability to get a mortgage, secure a loan, get car insurance or even rent an apartment. It will also have an impact on the interest rate you'll receive. It can even determine whether you can rent an apartment or house ... and even whether you get certain jobs.

Basically, FICO scores are calculated using the information in your credit reports. Such reports include all the information that each credit bureau has on file about you. The most commonly used credit score is a three-digit number, ranging from 350 to 850. The number rates how much of a risk the creditors think you are to a lender or insurance company. Lower scores predict higher risks, which create higher prices. Higher numbers indicate less risk and the potential of lower prices.

Needless to say, your FICO score is very important, and you'll want to do what you can to maintain a high score. Fortunately, if your score is lower than you desire, it is not permanent. There are a number of things you can do to raise your score ... and your financial opportunities.

Here's a "short course" in what to do to increase your credit score, pay lower prices, and save money:

1. **Check your credit report.** Find out EXACTLY what is on your credit report and what your credit score is. The main credit reporting agencies that keep up with this information are Equifax, TransUnion and Experian. Negative or inaccurate information can severely hurt your credit.
2. **Dispute any errors.** Most credit reports have errors in them. *It is your responsibility to notify the agency of any errors.* Federal law gives them 30 days to investigate and remove any mistakes.
3. **Pay all your bills on time.** The credit scoring industry says that 35% of their score is based on your history of payment. Even paying one or two days late can deflate your score.
4. **Reduce your credit card debt.** 30% of your credit score is tied to the size of your total debt to your total income.
5. **Do not apply for new credit.** Credit scores typically drop when you request or open new credit accounts.

6. **Check your credit at least once a year.** Make this a part of a regular, financial "check up."

Every 12 months get a free credit report:
www.annualcreditreport.com

7. **Protect your identity.** The FBI announced recently that "Identity Theft" is one of the fastest growing crimes in America.
8. **Be patient.** It will take time for the system to raise your score. But every positive step matters and you can raise your score.

If you haven't checked your credit report, you could be paying more than you should and not even know it.