





## improving your credit

Along with your overall income and debt, your credit score is a big factor in qualifying for a loan and what loan terms you'll qualify for. There are many services that offer "quick fixes" to "clean up" your credit record. Don't fall into those traps. If you find that your credit needs to be higher to qualify for a loan or for a lower interest rate, patience and discipline are the only tools you need.


First, let's see what your credit score is and if you need improvement. Remember to check your scores with all three reporting agencies (Equifax, Experian and Trans Union).

 **Excellent:** All three credit scores are 760 or better. No need for improvement.

 **Good:** All three credit scores are between 700 and 759. You'll get a slightly better interest rate if you choose to clean up your credit reports to get your scores to 760 or better, but only slightly better. It's up to you if it's enough of a change to justify your cleanup effort.

 **Fair to Bad:** All three credit scores are less than 700. It's time to clean up your credit reports and re-establish good credit.

Check for errors on your credit report and fix them. Errors like late payments reported when you weren't late can bring your score down. Write to the credit reporting agency and request for the error(s) to be removed. The agency then has 30 days to contact the creditor and verify the payment info as correct or incorrect. If the creditor is in error, the information will be removed from your credit report.

 **Reality Check:** Despite what you may have heard, getting your credit report will NOT hurt your credit score. Inquiries for the purpose of establishing NEW credit can decrease your score a little. It is a good idea to shop mortgage rates all at once, as multiple inquiries from the same type of lender over a short period of time are counted as one inquiry.

Make sure your credit report doesn't contain negative information more than 7 years old. The law requires that negative information in your report must be deleted after 7 years (10 years for bankruptcy). Write to the agency and ask them to remove any of this from your report. Remember: An 8-year-old late or missed payment the creditor didn't report until 3 years later will show as a 5-year-old debt on your credit report. Write to the agency and request removal of the debt because it is actually 8 years old.

Pay any outstanding or delinquent debts. A late payment is better than an unpaid debt. The payment won't remove it from your credit report, but it will help your score.


Pay down credit card bills and loans. If possible, pay off the entire balance every month. However, transferring credit card debt from one card to another could lower your score and you should not open any new credit card accounts.



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Don't charge your credit cards to the maximum limit.


Don't make any late payments. You will defeat your own purpose if you take steps to rebuild your credit, but do things that send it right back down.

 **Reality Check:** Closing credit card or other open accounts will NOT raise your score. It sounds like a bit of a paradox, because having too many open accounts CAN hurt your score. Closing open accounts will cause your debt to available credit ratio to rise, which can LOWER your credit score.

Wait 12 months after credit difficulties to apply for a mortgage. You're penalized less for problems after a year.

Don't open new credit card accounts before applying for a mortgage. Having too much available credit can lower your score.

Finance companies are generally seen as a sign of poor credit management, even if you pay on time, as the interest rates are high. Don't use them.

 **Reality Check:** If you have good reason for non-payment of a debt that shows up on your report (legitimate dispute with the merchant, didn't receive goods purchased, etc.), you can write to the agency and ask them to add your explanation to the file. The lender may see your explanation when they look at your file.

If you don't have a credit card, get one. It will help you build credit. Use it for any purchases you make, then pay it off in full every month.

If something negative is about to expire off your credit report, apply for your mortgage AFTER it expires. Get new copies of your credit reports to verify that the negative information was indeed removed.

...And finally, don't pay for services that say they can immediately or in very little time "rebuild" or "clean" your credit record. You might as well throw your money in the trash. This comprehensive list covers all the bases. There are no "secrets."

