

Software offering “What if” Scenarios that Affect Score

ScoreWizard	- must go through mortgage broker to use these
ScoreRight	- \$35 - \$50 for score & suggestions to raise score (ave. 50 – 99 points) – programs are accurate
CreditXpert	- higher score could save \$1000's ex: 580 vs. 720 FICO on 200K, 30-yr loan, 6.5% vs. 9.5% = \$418/mo diff., or \$150,480/30 yrs

case #1: needs 20 pts higher, has 2 credit cards w/ “0” balances & 4 accounts past due (in collections)
- don't: pay off late cards (would lower score because it penalizes recent activity on late accounts)
- instead: open new card account w/ \$500 limit, but keep it at “0” balance
- result: + 66 points

case #2: needs lower interest rate to qualify
- what to do: 3 revolving credit cards - lower the balances
one habitually late card - remove the authorized user
- result: +100 points @ one bureau & 70 at another

case #3: doesn't have a down payment
- what to do: reduce “average usage” (card balances ÷ sum of cards limits) on several cards
- result: + 21 points & eliminated need for a down payment

How To Improve Your Credit Score

Your credit score is constantly changing as your credit report information is always changing. Taking steps to improve your credit report may not significantly or immediately impact your credit score since the scoring models study patterns of credit behavior over time.

Keep in mind that as negative information ages, it has less importance. It usually takes one full year of good credit behavior to see a significant change in your credit score. This means you should exhibit a full year of responsible payment behavior in your credit report -- specifically, conservative use of credit, paying on time, and not requesting too much credit during a short period of time.

Here are some general tips on how to improve your credit history which, if you follow these tips over time, will improve your credit score.

1. [Review Your Credit Report.](#)
2. [Correct Errors on Your Credit Report.](#)
3. [Add Information Showing Stability.](#)
4. [Avoid Unnecessary Inquiries.](#)
5. [Close Unneeded Accounts](#)
6. [Build a Great Payment History](#)
7. [Pay off Credit Cards.](#)
8. [Keep your credit card account balances low.](#)
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1. Review Your Credit Report

Reviewing Your Credit Report Puts You In Control

You should first get a copy of your credit report. You have to know what's there before you can make it better. There are three major credit reporting agencies: Equifax, Experian, and Trans Union. It is recommended that you get all three or a consolidated credit report because many mortgage lenders will obtain data from all three of these bureaus in analyzing your credit history.

By making sure that only your accurate credit history appears on your report, you ensure that the credit score it generates isn't lowered by inaccurate information.

Checking your credit report on a regular basis allows you to stay on top of what credit grantors will read about you when they check your credit history, and enables you to correct any inaccuracies and catch fraud before these problems impact your important loan.

To order a copy of your credit report, go to Getting a Credit Report page.

The Credit Monitoring Service makes it easy for you to stay on top of the information in your credit report, and gives you a free copy of your report when you sign up for a free trial membership.

2. Correct Errors on Your Credit Report.

You have to make sure all information on your credit report is complete and correct. For example, if you have paid off an account but it is still listed, make sure the report lists a zero balance. In particular look for:

- Incorrect or incomplete name, address or phone number
- Incorrect social security number or birth date.
- Incorrect, missing, or outdated employment information
- Incorrect marital status -- a former spouse listed as your current spouse.
- Bankruptcies older than 10 years or not identified by the specific chapter of the bankruptcy code.
- Lawsuits or judgments older than seven years.
- Paid tax liens older than seven years, delinquent account older than seven years or that omit the date of the delinquency.
- Credit application inquiries older than two years.
- Unauthorized credit (not promotional) inquiries--credit-reporting agencies usually do not remove these at a consumer's request, but it never hurts to ask.
- Commingled accounts -- credit histories for someone with the same name or similar social security number.
- Duplicate accounts premarital debts of your current spouse attributed to you.
- Lawsuits you were not involved in.
- Incorrect account histories -- such as a late payment notation when you paid on time or a debt shown as past due when it was discharged in bankruptcy.
- Paid tax, judgment, mechanic's or other liens listed as unpaid.
- A missing notation when you disputed a charge on a credit bill.
- Closed accounts incorrectly listed as open.
- Accounts you closed that that don't indicate, "closed by consumer"
- Incorrect aliases

A few other things to remember:

- Accounts that have been paid off can still be listed on your report, although they should indicate that you've paid them off.
- If You've been through bankruptcy, both the public record information about the fact that you've been through bankruptcy can be listed and the individual accounts that were discharged may also have a notation that they were discharged may also have a notation that they were included in your bankruptcy.
- Information about accounts you share, or used to share, with a spouse will be listed in both your reports.
- Many people incorrectly assume that if they have paid off a past-due debt, the old negative information will be removed. It will remain on the credit report for up to seven years.

Once you've compiled your list, complete the request for reinvestigation form that came with your credit report or type a letter describing every problem. Send your letter to the address provided by the credit-reporting agency for disputing information. Enclose copies of any documents you have that support your claim.

Keep in mind that any corrections you make to your report takes 30 days to take effect.

3. Add Information Showing Stability

Creditors like to see evidence of stability in your file. If any of the items listed below are missing, send a letter to the credit reporting agencies asking that the information be added. Enclose any documentation that verifies information you're providing,

- Current employment -- employer's name and address and your job title
- Previous employment if you've had your current job less than two years.
- Current residence, and if you own it.

- Previous residence if you've been at your current place under two years.
- Date of birth

Credit reporting agencies aren't required to add this information, but they often do.

4. Avoid Unnecessary Inquiries.

Every time you apply for credit, or your credit report is accessed for another reason, that fact will be listed on your credit report as an inquiry. Many inquiries make it appear that you are shopping for credit, which indicates that you anticipate the need for many lines of credit.

Inquiries for pre-approved credit card offers you didn't accept, as well as inquiries created when you review your own credit report, will not count against you.

If you apply for a car loan at a dealer or home loan through a mortgage broker, you may see a sudden flurry of inquiries as they present your application to many lenders. Don't worry. When it comes to those kinds of credit inquiries, made within 30 days of each other, they count as only one inquiry. This is so that you are not penalized for shopping around for the best deal.

5. Close Unneeded Accounts.

The less available credit you have, the less risk you will pose to a potential creditor or lender. Keep around two to four credit cards for the best score. Close all unused or unnecessary accounts.

Just cutting up your card and tossing it in the trash does not close your credit card account. The safest way to close a credit card account is by sending a certified letter to the customer service department of the card issuer. Ask the card issuer to close your account and to report your account to credit bureaus as "closed by consumer." In approximately 10 days, the card issuer should send you a letter confirming that your account is "closed by the consumer." If you don't receive the confirmation letter, follow up by calling the card issuer to make sure it closed your card and is reporting it properly to the credit bureaus. You may even want to get another copy of your credit report to make sure it is reported correctly.

6. Build a Great Payment History

It goes without saying that paying your bills on time is the key to a great credit rating. While there's not much you can do to remove accurate late payment information, you can start mailing every single payment on time from here on out. Negative information loses its potency over time: a recent late payment is weighted more heavily than a late payment four years ago.

7. Pay off Credit Cards

This shows you use credit wisely and aren't spreading yourself thin. Keep your credit limits and outstanding balances down. Conservative use of credit is important.

8. Keep your credit card account balances low.

If you carry a balance, you should keep it low. For a good credit score, you should keep your account balances below 50% of your available credit. For example, if you have a \$2000 credit limit, you should have a balance of no more than \$1000.

9. Take Care of Collection Accounts.

Make sure collection accounts are paid and listed as paid on your credit report. You may be able to negotiate a reduced settlement with the collection agency to get a debt paid, but there may be consequences.

10. Satisfy any Public Records

Satisfy and public records, such as tax liens or judgments.