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How To Boost Your Credit Score

By James H. Dimmitt

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Years ago your credit score was a big secret, known only to a select few such as your mortgage and credit card companies. In 2000, Fair, Isaac Co., the major supplier of credit scoring software, announced they would begin sharing credit scores, also known as FICO scores, with consumers.

What is a credit score? A credit score is a tool used by credit grantors to determine your ability to repay your debts. The information in your credit report is compared and evaluated against tens of millions of other consumer credit reports which gives you a credit score or number ranging from 350 (highest credit risk) up to 800 (lowest credit risk). A higher score means you are less likely to make late payments or default on the credit extended to you. Your credit score will change as the information in your credit report changes over time.

Following is a short overview of the five major categories of credit information that are used in determining your credit score and guidelines for scoring higher.

PAYMENT HISTORY (35 percent)

Paying your current bills on time is the single most important factor in obtaining a high credit score. This category includes credit cards like Visa and MasterCard, retail accounts, installment loans such as those for a car or education, loans from finance companies, and home mortgages. Also included in this category are matters of public record such as bankruptcies, liens, wage garnishments, and collection accounts. The key to a higher score: Pay your bills on time!

HOW MUCH DEBT YOU CARRY (30 percent)

This category considers the amount of debt you owe on your various credit accounts. If you've "maxed out" your available credit, this could indicate that you are overextended financially and won't be able to make your payments on time or repay your debts completely. This category also examines how many

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of your accounts carry balances and how much money you've already repaid. Closing accounts with a zero balance does not generally improve your score in this area. The key to a higher score: Keep your credit card balances low.

LENGTH OF ESTABLISHED CREDIT (15 percent)

The longer you've had credit accounts the higher you will score in this area. The age of your oldest account and the average age of all your accounts are used in determining your score. Old accounts that have gone unused are also considered. The key to a higher score: Establish good credit and keep accounts active.

APPLICATIONS FOR NEW CREDIT (10 percent)

Opening multiple credit accounts within a short period of time represents a greater risk of becoming overextended. Each time you apply for credit an inquiry is made into your credit history and these inquiries show up in your credit report. A high number of credit inquiries will lower your score.

Some inquiries are not considered in your score. These include: requests by you for your credit report, inquiries from companies for pre-approved offers or companies that already do business with you, along with inquiries from potential employers. Some requests for credit are treated as a single inquiry especially when you are shopping for the best loan rate. The key to a higher score: Only apply for and open new credit accounts when you need them.

YOUR CREDIT MIX (10 percent)

This category examines the types of credit accounts you have and how many of each. Can a person have too many accounts? Yes and no. It really depends on whether you have an established credit history or no credit history at all. The key to a higher score: Open credit accounts only if you intend to use them.

Don't despair if you have a low score or are just beginning to establish credit. Your credit score will change for better or worse depending on how well you understand and use these five keys to your advantage in planning your financial future.

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James is editor of "TO YOUR CREDIT", a weekly free newsletter to help you manage your personal finances. Subscribe to the newsletter by visiting

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author of "Identity Theft – How to Avoid Becoming the Next Victim!" available at

Credit Scores: Don't Waste Your Money

By Jeanette Joy Fisher

Did you know that your credit score that you purchase online is not the same credit score your loan officer gets?

You probably know that when you apply for a mortgage, your loan officer gets all three credit reporting agencies reports with three different scores. From your three credit scores, most mortgage companies use your middle credit score to determine your credit worthiness.

Do you know that the credit score an auto dealer sees is not the same credit score your loan officer sees?

Imagine our surprise to find out that my husband's credit score for purchasing my new car one afternoon was 50 points higher than his top credit score was earlier in the day when he refinanced an investment house. This happened because credit scores get computed differently for mortgages and auto loans!

If you think that you have a great credit score because you recently bought a new car, think again. You may have been told that your credit score was 700 by a finance company. Therefore, you think that you have the perfect credit score to buy a house. Don't be surprised to hear from your loan officer that your credit score falls short of a prime rate mortgage loan.

You don't want to have your credit history checked too often. You do get a small penalty with a few points deducted when you have too many inquiries on your credit report. However, when you're shopping for a car or a home loan, the credit reporting agencies batch your inquiries into one. In other words, you can call several mortgage lenders to shop for the best terms and rates without losing points.

Don't waste your money buying your credit scores. These scores are not the ones real estate lenders get. Instead, get your credit scores FREE by calling a loan officer.

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Jeanette Fisher teaches how to get out from under credit card debt, how to use credit to make money, and six ways to build strong credit to finance your first home and multiple investment properties. For a free ebook "Credit Tips for Mortgage Financing," see

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