

Strategies for You to Use to Boost Your FICO Score

It used to be that "people" made decisions about your credit worthiness. You knew your banker and your handshake was all the collateral you needed. Those days are long gone, and now a single number - your FICO score - determines your credit worthiness.

Although there are several credit models, the most commonly used is FICO, based on a model created by Fair, Isaac Company. Their consumer website is myfico.com, and you can find information about the FICO credit scores there.

Your FICO credit score can be used to determine your interest rate and how much credit a lender will give you. So taking care of your score, and keeping your credit clean will save you money.

Preserving your FICO score, and improving it, is not difficult, but it may take time. Here are some tips to maintain and improve your score, based on three credit situations.

Strategy One: Obtain a Credit History

There are many reasons you may have no credit history. Maybe you're just starting out, maybe you pay cash for everything and have never needed a loan. In any case, if you have no credit history, your FICO score is likely to be low.

The easiest way to raise your score is acquire a loan, and pay it off on time. In general, installment loans are weighted more heavily than credit cards. In other words, you will improve your credit score faster if you buy goods with an installment loan, rather than acquiring a credit card.

Another way to acquire a better credit history is to take \$1000 and open a 6 month CD account at a financial institution. Now, get an installment loan for \$1000, using that CD as collateral. Now, here's the trick. Take the \$1000 loan, and open another 6 month CD account at another institution. Take another loan for the \$1000 at the second institution. Do this one more time.

Now what you have is 3 loans. Pay the minimum payment for 6 months. In the last month, cash out your CDs and pay the loans off. You now have a credit history, and did not go into long term debt to get it.

Strategy Two: Maintain Your Good Credit History

Good job - you have paid your bills on time, and do not have high credit card debt. Here's some ideas to keep your FICO score as high as possible.

First, don't close your old accounts. One part of your credit score is based on the amount of credit available verses amount of credit used. Closing old accounts can lower this part of your score.

Second, paying off your credit cards every month is good money management, but you may be able to improve in this area. Here's the scenario: you have a \$2000 credit card. Every month, you charge about \$1800 to that card. And, every month you pay it off. But here's what happens - your credit card company reports your credit information monthly to FICO. If they report it before you pay off your card, it looks like you carry a balance on your credit card every month. You may find your FICO score improves if you pay off your credit card at a different time of the month.

Strategy Three: Repair Your Poor Credit History

For whatever reason, if you have a poor credit history, there are things you can do to improve your score. Some of them take time, and you will probably be best served by talking to a credit counselor to be sure that you not only repair your credit history, but also eliminate what caused that poor credit history in the first place.

The most heavily weighted part of your score is based on your payment history. The first thing to do to start repairing your credit history is to pay your bills on time. The mortgage is the most important, followed by installment loans, and finally credit cards.

The next largest portion of your FICO score is based on how you use credit. The fastest way to improve this is to pay down your credit cards.

One final thing to look for is errors in your credit report. Get a copy of your credit report from all three primary agencies, and look at all the entries. You

can find the agencies here: experian.com, equifax.com, and transunion.com. If there are any errors, start the process to have them removed. Call your creditors - sometimes they will remove negative information.

Your FICO score is an important part of your financial life, and using these strategies may help improve your FICO score. Before making any drastic changes to your finances, consult with a financial advisor.

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