

Take Charge of Your Credit Score

Contributed by Teresa Wilson
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A credit score is a snapshot of your credit history and debt load. Banks and trust companies use it to calculate risk and ascertain borrowing criteria. The higher your credit score the lower the interest rate you qualify for. Below are a few tips that can put you in the drivers seat and strengthen your credit position –

Create a credit history. Banks and trust companies see customers with longer credit histories as more favourable borrowing candidates. Your score should improve as your credit history becomes established.

Credit Score Standing

Score

Excellent

730+

Good

700-729

Needs a Closer Look

670-699

Higher Risk

585-669

No Credit History/ Limited Credit History

-585 Pay off debt. Try to get your balances as close to zero as possible. Consider opening a line of credit and transferring part of the balance off a card that is "maxed" out. If you can get the resulting balances below 50% of the available credit, you are on your way to improving your credit score considerably.

Do not close credit card accounts. Even if you are not planning on using the credit card, the credit card will add to your credit history that will improve your credit rating.

Do not use all of the credit you have available to you. The more credit you have outstanding, the more potential risk you are to the lender and the lower your score will be.

Check your credit report. Check your credit report each year and be sure to report any errors. Mistakes in your credit report could have a negative impact on your credit score. Check your credit score now

Reduce the number of credit cards you apply for. Just because you get a credit card offer in the mail, doesn't mean you should accept it. Every time you apply for credit, a credit inquiry will be run which in turn lowers your credit score.

Maintain low-to-moderate balances. Paying off debts and maintaining low balances will help improve your credit score. If you can't pay off your entire balance in one month, be sure to pay off as much as possible. Going over 75% of your credit balance could be a warning signal for lenders.

Borrow only what you can afford. Never over extend yourself.

Pay your bills on time. It is especially critical to pay bills on time close to the time you need a loan. A late or missed payment which occurred in the last few months is likely to lower your score much more than an isolated late payment five years ago.

Re-establish your credit history if you have had problems. Opening new accounts responsibly and paying them off on time will raise your score in the long term.