

How To Improve Your Credit Scores

From About.com

Techniques for Better Credit Reports and Scores

Lenders analyze your [credit scores](#) to determine whether or not to approve a home mortgage, a car purchase and nearly all other types of loans.

Before lending you money, creditors want to determine how much of a risk you are—in other words, how likely you are to repay the money they loan you. Credit scores help them do that, and the higher your score, the less risk they feel you'll be.

Most increases to your credit scores take place over time and require an ongoing effort from you. The only true credit score quick-fixes are to pay down debt and to successfully [dispute negative information](#) on a credit report.

Credit scoring software looks at five areas of your credit reports:

- Your Payment History
- Amounts You Owe
- Length of Your Credit History
- Types of Credit Used
- Your New Credit
- You can improve your credit scores by taking a close look at your credit reports and charting a plan of action to improve them.

Improve Your Payment History

- Always pay your bills on time.
- Late payments play a major role in driving down your score.
- If you have past-due bills now, get current and stay that way.
- Contact your creditors as soon as you know you will have a problem paying bills on time. Try to work out a payment arrangement and negotiate with them to keep at least a portion of the late notations off of your credit reports.
- If your situation is serious, see a *legitimate, non profit* credit counselor. Avoid the scam artists who promise a quick reversal of your credit problems.

Keep Debt to a Minimum

- Keep your credit card balances low. High debt-to-credit-limit ratios drive your scores down.
- Pay off debt, don't move it around. Owing the same amounts, but having fewer open accounts, can lower your score if you max out the accounts involved.
- Don't close unused accounts, because zero balance might help your score.
- Don't open new accounts that you don't need as a quickie approach to altering your debt-to-credit-limit ratios. That can lower your score.

Length of Your Credit History

- Time is the only thing that can improve this aspect of your scores, but you can manage it wisely:
- Don't open several new accounts in a short period, especially if your credit history is less than three years. Adding accounts too rapidly sends up a red flag that you might not be able to handle your credit responsibly.

Manage New Credit Wisely

- Several credit inquiries during a short period means you are attempting to open multiple new accounts, and that lowers your credit scores.
- Credit scoring software usually recognizes when you are shopping for a single loan within a short period of time, such as a home loan. If multiple inquiries are necessary, have them pulled as closely together as possible.
- Checking your own credit report does not affect your scores.
- Do try to open a few new accounts if you've had credit problems in the past. Pay them on time and don't max out your credit limits.

The Types of Credit You Use

- A mixture of credit cards and installment loans, loans with fixed payments, can help raise your score *if* you manage the credit cards responsibly.
- Having many installment loans can lower your scores since payments remain the same until balances are paid in full.
- Don't open new accounts just to have several accounts or to attempt a better mix of credit.
- Closing an account doesn't remove it from your report. It may still be considered for scoring purposes

If You Have Accounts in Collection

Contact your accounts that are in collection and ask if they will agree to a reduced amount to satisfy the debt and close the account. Most creditors will agree to a reduced amount, sometimes as much as 50%!!!!

To Create Credit

- Apply for a credit card and charge something every other month (as little as \$50)
- Pay it off each month (avoid carrying a balance to avoid the finance charges)
- Continue for one year.
- Take out an unsecured personal loan from a bank for the purpose of home improvements or decorations.

- Ask for \$1000. If they only will give you \$500 then accept that.
- Tell them you want to pay it back in 6 months and want to know the payment amount.
- At the same bank open a checking account and deposit the loan amount in that account
- Each month pay the required payment on-time, from the checking account (don't use the money for anything else)
- You will be short on the final payment by the interest accrued so you will have to pay that out of you own pocket. Be sure to do so and on-time. Paying as agreed and terminating the loan properly will guarantee a favorable credit report.



How to Correct Errors on a Credit Report

From About.com

Increase Credit Scores by Correcting Credit Report Errors

You just discovered errors in one or more of your credit reports, or even worse, accurate references to late payments or other negative issues that lower your credit scores. Take a few deep breaths and try to stay calm, because credit report errors can be fixed. It's possible to remove many negative items, too--and *without* help from companies that promise to repair your credit.

How To Dispute Errors on Your Credit Report

1. Make a copy of your credit report and circle every item you believe is incorrect.
2. Write a letter to the reporting agency (the address will be printed on the report). Explain each dispute and request an investigation to resolve the issues. If you have supporting paperwork, send it along, coding pages to match dispute paragraphs. Do not send your originals.
3. Send all materials by certified mail, return receipt requested, so that you can prove the packet was received.
4. Send a similar letter of dispute to the creditor whose reporting statements you disagree with.
5. Your credit can be raised fast. Up to 200 point boost in 30 days.
6. View your Free Credit Reports and Credit Scores from all 3 bureaus.
7. View your 3 free credit reports & Credit scores from all 3 bureaus.
8. Refer to a billing statement to find the correct address for disputes, because it's usually different from the payment address.
9. If your dispute involves personal information, such as your current address, enclose a copy of your driver's license or a utility bill in your name to verify your residence.

The reporting agency will initiate an investigation, contacting your creditors to verify the accuracy of the information. If the creditor cannot verify that the entry is correct, it must be removed. When the investigation is complete, the agency must send you a free copy of your report if changes were made.

If the investigation uncovers an error, you have the right to ask that a corrected version of your credit report be sent to everyone who received the report during the past six months.

Tip:

Contact your creditor first, then allow a bit of lead time before you submit the dispute to the reporting agency. By the time the dispute is verified, the creditor will hopefully have corrected the error.

Online Disputes

You can initiate an investigation from many online credit reports by following the links provided and checking the disputed items as directed. There sometimes isn't a place for remarks--you'll simply check a multiple-choice reason for each dispute.

If Changes Aren't Made

If the credit reporting agency says the original information is accurate, it must provide you with a written notice that includes the name, address, and phone number of the person who made the report. If you still disagree, initiate a second investigation.

Unfortunately, in the real world the reporting agencies often try to sidestep that requirement, giving you standard, computer-generated information rather than the facts you need to find the person or department who made the negative report. Keep plugging away until you have the answer you're looking for.

If your attempts to correct an entry are unsuccessful, you can ask the reporting agency to insert a 100-character explanation next to it that explains your side of the story.

Sometimes You Hit a Dead End

I know from personal experience that it's sometimes difficult to have information changed, even if you can prove it is incorrect. A family member has not been able to have an incorrect employer notation corrected, even though he has not worked at the company for many years. The standard response from the credit reporting agency is that they would not have the information if he had not included it on an application for credit.

They refuse to remove the incorrect notation, even though he has provided them with a letter from his current employer and several W2s.

Why did that happen? Someone likely keyed-in a previous employer as a current employer. Sometimes you simply cannot get through to them that errors exist.

Negative Entries

Bankruptcies remain on your credit report for ten years, while other types of entries are generally reported for seven years. If an account that was previously past due has been brought current, and has been either paid off or kept current for at least a year, the creditor might agree to an early deletion of the past due references.

Write a letter to your creditor and request that the negative entries be removed. They'll often comply if they see you are up to date and handling your account in a positive way.

Another tactic you can use to clean up your credit report is to dispute a negative item even if you believe it is accurate, but you'll have to follow your conscience to decide if that's an ethical way to go.