What’s in Your Score?

Credit scores are calculated from different credit data in your credit report. The most common credit-scoring system was developed by the Fair Isaac Corp. (FICO) and is used by major credit bureaus to evaluate your credit history. The system considers factors like how many credit cards you have and how quickly you pay your bills, and assigns you a rating between 300 and 850.

Two of the most important factors affecting your score are your payment history and whether you’ve had any collections. Other factors include amounts owed, types of credit used and length of credit history.

According to FICO whose credit score represents an industry standard, raising one’s score from 550 to 720 produces a savings of $131,000 over the life of a 30-year mortgage. Below are some helpful hints in raising your credit score.

HOW TO RAISE YOUR CREDIT SCORE

• Pay your bills on time.
• If you have missed payments, get current and stay current.
• Be aware that paying off a collection account will not remove it from your current credit report.
• If you are having trouble making ends meet, contact your creditors or see a legitimate credit counselor.
• Keep balances low on credit cards and other “revolving credit.”
• Pay off debt rather than moving it around.
• Don’t close unused credit cards as a short-term strategy to raise your score. Keep them open with zero balances.
• Don’t open a number of new credit cards that you don’t need, just to increase your available credit.
• If you have been managing credit for a short time, don’t open a lot of new accounts too rapidly.
• Do your rate shopping for a given loan within a focused period of time.
• Re-establish your credit history if you have had problems.
• It is OK to request and check your own credit report.
• Strive to use less than 30 percent of your available credit.
• Apply for and open new credit accounts only as needed.
• Have credit cards, but manage them responsibly.
• Note that closing an account doesn’t make it go away.