
Q ■ How do I improve my credit score?

A. Credit scores consider five main types of credit information. The chart below lists these items in order of importance:

Your Credit information	Percentage of Score
Payment history	35%
Amount owed	30%
Length of credit history	15%
New credit	10%
Type of credit	10%



ACTION ITEMS:

1. To improve your *payment history* category:

- **Pay your bills on time.** Delinquent payments and accounts in collections have a major negative impact on your score.
- **Get current and stay current** if you have missed payments in the past. The longer you pay your bills on time, the better your score.
- **Contact your creditors or see an approved credit counselor** if you are having trouble making ends meet. This won't improve your score immediately, but if you can begin to manage your credit and pay on time, your score will get better over time.

2. To improve your *amount owed* category:

- **Keep balances low** on credit cards and other "revolving credit." High outstanding debt can affect a score.
- **Pay off debt rather than moving it around.** The most effective way to improve your score in this area is by paying down your revolving credit. In fact, owing the same amount but having fewer open accounts may lower your score.
- **Don't open a number of new credit cards that you don't need** in an attempt to increase your available credit. This approach could backfire and actually lower your score.

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3. To improve your *length of credit history* category:

- **Don't open a lot of new accounts too rapidly** if you have been managing credit for a short time. Lenders like to see that you have been successfully using credit for several years. The longer you have had an account open, the better. If you open a lot of new accounts but haven't managed them for long, you can look risky to a lender.

4. To improve your *new credit* category:

- **Do your rate shopping for a given loan within a focused period of time.** Credit scores distinguish between a search for a single loan and a search for many new credit lines, in part by the length of time over which inquiries occur.
- **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.

5. To improve your *type of credit* category:

- **Apply for and open new credit accounts only as needed.** Don't open accounts just to have a better credit mix — it probably won't raise your score.
- **Have credit cards — but manage them responsibly.** In general, having credit cards and installment loans (and making timely payments) will raise your score. Someone with no credit cards, for example, tends to be higher risk than someone who has managed credit cards responsibly.

It's okay to request and check your own credit report and this won't affect your score.

The Fair and Accurate Credit Transaction Act (FACTA) allows for all consumers to receive a free copy of their credit report from each of the three credit reporting bureaus every 12 months. Reports can be ordered through www.annualcreditreport.com or by calling 877-322-8228. You will not be able to receive a free report by contacting the credit bureaus directly.

RESOURCES:

Credit Reporting Bureaus:

Equifax:

866-349-5191

www.equifax.com

Federal Trade Commission information:

<http://www.ftc.gov/bcp/menus/consumer/credit/rights.shtm>

Experian: 888-397-3742

www.experian.com

To order free credit reports

www.annualcreditreport.com

Trans Union: 800-888-4213

www.transunion.com