

Scoring drive

Nine tips for improving your credit score

By [Andrea Coombes](#), CBS.MarketWatch.com

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SAN FRANCISCO (CBS.MW) -- If you're a consumer who likes to spend to prop up the economy, it's a good idea to first prop up your credit score so you get better rates and terms on purchases.

Some simple actions can help hike your FICO score, the most common credit measure, within a couple of months. And an improved score can mean lower interest rates and better deals on everything from credit cards to a new car, insurance or a home.

"In today's climate, lenders use credit scoring to determine if people get approved for credit, how quickly they get approved for credit, what kind of terms they get approved for, what kind of credit limits they get," said Stephen Snyder, an expert on credit scoring and author of "Credit After Bankruptcy." "It affects everything."

Despite the importance of FICO scores, few people pay attention: 75 percent of Americans don't know their credit score, and nearly 20 percent have never seen their credit report, according to a recent survey of 1,000 adults conducted for Household International, a financial services company.

Of course, the time it takes for an action you take to register as an improved score is not entirely under your control. "Let's say you pay down a maxxed-out card," said Craig Watts, consumer affairs manager with Fair Isaac Corp., which created the FICO score system and operates [MyFico.com](#).

"You mail off your check tomorrow, the creditor gets it, posts it, it gets into your account right away, then (a few days later) the creditor reports your information to the three credit bureaus. You could easily see that being posted to your credit report in a month," he said.

But, "the worst-case scenario is double that or triple it if you catch each part of the cycle" at the wrong point, he said.

Here are nine tips experts say can give a power boost to your FICO score:

1. Check your score the right way to avoid a credit ding

Be wary of taking advantage of Web sites offering free or easy credit reports. Sometimes, requesting your credit report from these companies leads to what's called a "hard inquiry" into your credit -- essentially the FICO system thinks you've asked to borrow money and a creditor is checking your credit. That can lower your score.

"The only place we know that's *not* happening are the three national credit bureaus and the MyFico Web site," Watts said.

2. Refrain from consolidating credit cards and transferring balances

Consumers who consolidate all cards into one are "effectively killing their credit history from other cards," said Steve Rhode, president of MyVesta.org, a nonprofit consumer-credit counselor. "If you're trying to improve your credit report, your credit history is one of the biggest factors."

Others agreed. "It's better to pay off the revolving debt or pay it down to increase your scores," Snyder said.

3. Keep old accounts

Instead of closing out old accounts, leave them be.

"We don't look at the amount of credit available to you in isolation. That's something of a myth," Watts said.

Instead, the FICO calculator looks at the ratio between your credit limit and the amount of credit-card balance on your cards, or your credit utilization. That's "the amount of debt you owe today for revolving credit cards divided by the credit available to you on those accounts," Watts said. "That should be a fraction less than 1. If it reaches 1, you've maxxed out your credit cards."

Closing an unused credit-card account reduces the amount of credit available to you without paying down the amount of debt you have. "That makes it appear you're a little closer to maxxing out your credit cards. That can hurt your FICO score," he said.

4. Resist the in-store temptation

Each time you apply for a retailer's credit card, your report will get dinged. Such applications "can reduce your credit score as much as 20 points in just one day," Rhode said. "As long as you can fog a mirror, you can get one of those cards. They're not great evidence of creditworthiness."

Plus, those new accounts lower the age of your credit history, not good when it comes to FICO scores. "The relative age of your credit history will change because you now have a new (account), and we take an average of your credit accounts," Watts said.

5. If you must close an account, close a newer card

Consumers, understandably enough, often seek to close out high-interest-rate cards. They're "looking at their credit from a smart consumer point of view not a credit point of view," Rhode said. However, "you might be better off to close the newer cards even if they have lower interest rates, and keep the older cards with the history."

6. Take charge of your credit applications

When you fill out a credit application, the car dealer or other vendor may send it out to numerous banks or other financing firms that then check your credit.

While credit checks requested by a bank, credit union or dedicated auto-financing company within a 14-day window will total just one credit ding, other types of companies won't fall into that category. That means a general finance company checking your credit would add a separate credit check to your report, Snyder said.

"You have to take control and limit" how many credit checks are run through your account, he said. When buying a new car a few days ago, he told the finance department his scores "are between 760 and 800, and she said with those scores I can take you to Huntington Bank. I said great, I give you permission to shop Huntington Bank," Snyder said.

7. Pay down debt

Keeping individual card balances to under 30 percent of the card limits will help improve your score, said Deborah McNaughton, president of [Professional Credit Counselors](#), a consumer-credit counseling firm.

8. Don't assume timely payments are the only score driver

People often pay bills by credit card to stay current, Rhode said.

"It's like putting your debt into turbo," he said. "If you've got several cards and they're maxxed out, that's definitely a sign that bigger issues are brewing. It's not uncommon for someone to have all their bills paid on time but their credit score is like 580 because they're maxxed out on so many cards."

9. Put a rush on fixes

Check your report for errors, and once you've fixed any problems, ask the credit agencies to update your report quickly.

"If you are trying to purchase something right away like a home or auto, contact the bureaus directly and ask them to put a rush on updating your report," McNaughton said, and be ready to provide proof of any errors.

One final word of caution: The calculation used to figure a FICO score is complex, with a number of variables.

"There are a lot of factors that go in," Watts said. "Making one change can have multiple impacts on your score, and not always have the impact you intended." Check out [MyFico.com](#) for more information.

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