10 WAYS TO IMPROVE YOUR CREDIT SCORE

Don't underestimate the power of your credit score. It not only reveals to a lender if you're a good credit risk, but it's also the basis for the interest rate you'll pay. If you've had some credit challenges, there are ways to improve your score in six to eight months. Here's how:

1. **PAY BILLS ON TIME:** Pretty obvious, right? Late payments are the most common piece of negative information that appears on a credit report. Since payment history accounts for 35% of your total score, getting behind has a significant impact. If nothing else, pay the minimum by the due date.

2. **KEEP BALANCES LOW:** If balances on your accounts equal more than 35% of the total credit available to you, it will hurt you. Good credit risk is someone who doesn't need credit. Go figure! TIP: For disciplined credit users: Call your credit card company and ask to increase the limit – this will decrease the proportion you're using.

3. **DON'T CLOSE UNUSED ACCOUNTS:** The longer your credit history, the better. The length of time you've had credit is worth 15% of your total score. So don't close old and unused accounts. Just put the cards away and forget about them.

4. **ONLY APPLY FOR CREDIT WHEN YOU NEED IT:** Opening new credit accounts or having your credit checked frequently will hurt your credit score temporarily. The reason? It looks like you're going credit crazy. New credit determines 10% of your score. So try using an existing card for that purchase unless you know you won't be applying for a mortgage or a car loan in the next few months.

5. **VARY THE CREDIT USED:** The types of credit you have accounts for 10% of your credit score. That means that having a car loan, a major credit card, a retail card and a mortgage can help your score. However, it's not necessary to run out and apply for all that credit. (See item 4)

6. **CORRECT MISTAKES IN YOUR CREDIT REPORT:** Get a copy of your credit report from Equifax and Trans Union and make sure all the information is updated and accurate. Sometimes mistakes happen, which can result in false credit scores, which can lead to you getting denied a loan or paying more in interest.

7. **SEPARATE ACCOUNTS AFTER DIVORCE:** Joint accounts are common in a marriage, and the info on each spouse's credit report and their score will impact the other spouse. If a couple divorces, however, this creates a whole new set of challenges. A legal separation does not absolve one or both from their financial obligations to their joint accounts. If both names are on the debt, it belongs to both spouses, married or divorced.

8. **AVOID BANKRUPTCY, IF POSSIBLE:** This is terrible news for your credit score, but it may be the only option. If you're at this point, then your rating has probably tanked regardless—some debts may have gone into collection. Bankruptcy is not a death sentence, and there is life after one. It's just going to take time to rebuild your credit. It will take a few years – there's no quick fix.

9. **NEGOTIATE WITH CREDITORS:** Your creditors are in the business of making a profit. If you're not paying your bills, it impacts their bottom line. Many of them can understand when financial challenges arise and you may be able to negotiate with them and come up with a solution that is mutually beneficial. Do this before you start missing payments.

10. **BE PATIENT:** No credit score calculation here. It takes time to repair a credit score and to build it up. Follow the steps outlined here, and you'll be on your way to a AAA credit rating.

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