

5 WAYS TO IMPROVE YOUR CREDIT SCORE

A poor credit history and credit score can present many challenges. For example, they can prevent you from getting the credit you need to obtain a loan to buy a car, a home or other important purchases. If you do get a credit card or a loan, a low score could cost you thousands more in higher interest costs. Use these five tips to improve your credit management and your credit score.

- 1. Check the details.** Your credit score can be dragged down by inaccuracies in your credit report. (See our article, “Understand your credit report” in this Kit). Also, consider stacking your requests throughout the year: Request one every four months from one of the agencies (for example, request one from Experian in January, one in May from Equifax and one in September from TransUnion). Check your reports for clerical errors or other oversights. Common errors include mistakes in identification information or incorrect details on the accounts you have, their balances or your payment status. Credit bureaus must respond promptly when you inform them of errors, so be sure to reach out to them when you catch mistakes. Reviewing your history can also help you spot signs of possible identity theft, such as an unknown account that has been opened in your name.
- 2. Don’t miss payment due dates.** This is an easy fix: Pay your bills on time. If you tend to procrastinate or aren’t as organized as you could be, set specific and regular times when you will make payments. Keep bills stored in order, either online or in hard copy, based on when they’re due. Another option: If you find yourself frequently forgetting deadlines, you can set up automatic payment plans to cover recurring payments or set your calendar to remind you about due dates.
- 3. Get rid of small balances.** Your credit score takes into account how many of your credit cards have a balance and it can improve your score to have fewer balances. As a result, consider paying off your smaller accounts as soon as you can (while staying current with other payments) and whittling your accounts down to one or two. Having fewer bills each month can also make it easier to manage—and remember to pay—outstanding bills.
- 4. Don’t fall for “credit repair” scams.** Getting scammed out of your hard-earned money makes it even tougher to remedy or prevent credit problems, so be careful who you deal with. It’s not necessary to pay a high fee to address problems in your credit history. “Credit Repair: How to Help Yourself,” a publication from the Federal Trade Commission, describes your rights and how to fix credit reporting problems on your own. It also offers advice on reputable and free or low-cost credit counseling help. See www.consumer.ftc.gov/articles/0058-credit-repair-how-help-yourself.
- 5. Start over with a secured card.** If you’ve had payment problems in the past and are having trouble getting credit, a secured credit card could be a good way to demonstrate your creditworthiness and build an improved credit history. With these accounts, you make a deposit with the creditor that is held in reserve. You must pay at least the required minimum payment by the due date and, if you miss payments, the creditor will use your deposit to pay the overdue balance. However, if that happens, the effect on your credit score would be the same as if you defaulted on an unsecured card.