

Improving Your Credit Score

Credit scores measure the likelihood that credit will be paid back as agreed. In other words, it is a numerical representation of “What’s the probability that the lender will get its money back, on time, as agreed, and in full?” To maintain a good credit score, a consumer needs to show that he/she can be responsible with someone else’s money. To begin, you should understand that there is no quick fix for a poor credit score. Scores reflect credit payment patterns over time with more of an emphasis on recently reported information than older information.

HERE ARE SOME HELPFUL TIPS THAT SHOULD HELP YOU IMPROVE YOUR CREDIT SCORE:

- ✦ **Apply for and open new credit accounts only as needed.**
Don't open accounts for the 15% store discount or for the purpose of more spending.
- ✦ **Pay ALL your bills on time EVERY month.**
Delinquent payments, even if only a few days late, can have a major negative impact on your credit score. This applies to all your accounts, including utilities.
- ✦ **If you have missed payments, get current and stay current.**
The longer you pay your bills on time after being late, the more your score should increase. Older credit problems count for less, so poor credit performance won't haunt you forever. The impact of past credit problems on your score fades as time passes and as recent good payment patterns show up on your credit report.
- ✦ **Keep balances low on credit cards.**
High outstanding credit card debt can negatively impact your score.
- ✦ **Pay off debt rather than shifting it from one credit card to another via balance transfers.**
The most effective way to increase your score in this area is by paying down your total revolving (credit card) debt.
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- ✦ **If you have had problems in the past, re-establish your credit history.**
Opening new accounts responsibly and paying them on time will help rebuild a positive credit history.
- ✦ **Keep credit card balances well under the credit limit.**
Try to use no more than 50% of your available credit lines. In general, having credit cards and installment loans (and making timely payments) will raise your score. People with no credit cards, for example, tend to be higher risk than people who have managed credit cards responsibly.
- ✦ **Avoid bankruptcy and foreclosure if possible.**
Understand that bankruptcy and foreclosure should be used only as necessary because each will have a significant negative impact on your credit score, especially during the first 24-36 months. But it is possible to recover.
- ✦ **Don't close unused credit cards as a short-term strategy to raise your score.**
Scoring models include length of credit history, so it helps to have established accounts that have been open and managed well for 5 years or more.
- ✦ **Don't open a lot of new accounts too quickly.**
This is especially true if you have been using credit for only a short time, as rapid account build-up can look risky.

NOTE: The information contained herein is for educational purposes only and is not legal advice. You should seek advice from a legal professional regarding your particular situation.

Information provided by Greenpath Financial Wellness, an official corporate partner of Space Age Credit Union. For more information or other related articles, please visit www.greenpath.com.

