

## HOW TO RAISE YOUR CREDIT SCORE

Credit scoring is a method lenders use to make lending decisions. Your credit score is a numeric value based on the information in your credit report. It tells lenders how likely you are to repay loans and credit card bills on time. It affects whether you can get credit and how much you pay for that credit. In general, the higher your credit score, the more likely you are to be approved and to pay a lower interest rate on new credit.

To determine your credit score, most lenders use a system developed by Fair Isaac Corporation. The system uses five factors to arrive at your credit score. Each factor counts as a percentage of your total FICO score: payment history (35%); how much you owe (30%); the length of your credit history (15%); new credit (10%); and other factors, such as having a mix of credit types in your credit report (10%).

### Check your Credit Score:

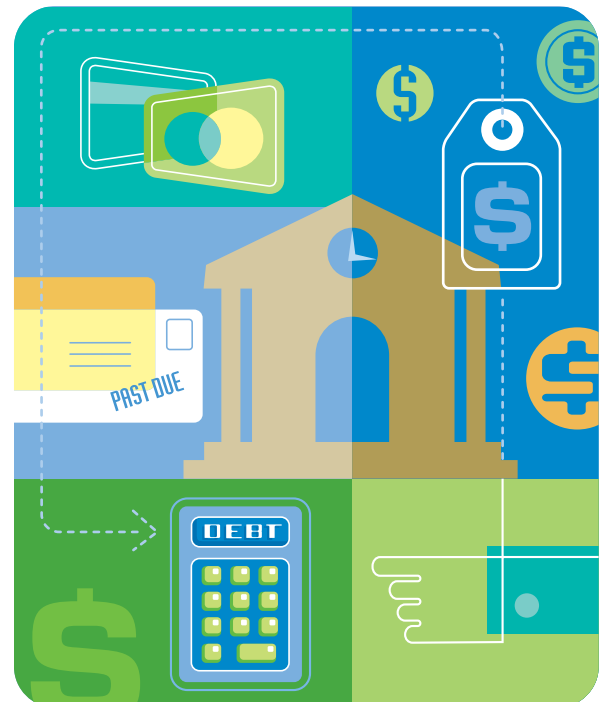
FICO scores typically range from 300 to 850. Most lenders consider scores of above 700 as good. If you would like to know your credit score, contact the Fair Isaac Corporation at [www.myfico.com](http://www.myfico.com) or by calling 1-800-342-6726. You may also order your credit score from the Annual Credit Report Service at [www.annualcreditreport.com](http://www.annualcreditreport.com) or 1-877-322-8228. Whichever you choose, there is a small fee involved. If your credit score is lower than you would like, take steps to build up your score.

### Pay all Bills on Time:

One of the best ways to improve your credit score is simply to pay your bills on time. Late payments lower your credit score. Since your credit score changes as new information is reported by creditors, you can improve your score by catching up on back payments and staying current. Although late payments generally remain on your report for seven years, as time passes, and your payment habits improve, those late payments will have less of an impact.

### Keep Balances Low:

High outstanding balances on credit cards and other debt can lower your score - even if you are making timely payments on your current debt. Lenders know that the more debt you have, the more difficult it would be to pay your bills if you were to lose your job, face a sudden illness or get divorced. Try to keep your outstanding balances below 50 percent of your credit limit.



### Don't Apply for Credit too often:

Every time you apply for credit, an inquiry is placed in your file. A large number of inquiries within a short period of time may be interpreted as a sign that you are having financial difficulties and lower your credit score. Do not open new credit just to have a better credit mix or to show that you can get approved. This strategy isn't likely to raise your score, nor will closing a zero balance account.

### Pay off Debt:

Consolidating your credit card debt on one card or spreading it over multiple cards isn't likely to change your score. In fact, frequently moving your balance from card to card may raise a red flag to lenders. It is better to pay off your debt rather than move it around.

### Check your Credit Report Regularly:

Don't let your credit score suffer as a result of incorrect information. Check your credit report at least once a year and report any errors to the credit reporting agency and to your lender.

Requesting a copy of your own credit report won't affect your score.

### Avoid Quick Credit Fixes:

A good credit score is created over time and reflects a number of interrelated factors. Don't fall for any quick-fix deal that promises to improve your credit score. A better idea is to consult with a CPA who can provide practical advice for managing credit.

*This article is provided as a public service by the Kansas Society of CPAs and Kansas State Treasurer Lynn Jenkins, CPA. (MoneyWi\$e, January 2006)*

### Dig a Little Deeper

During the California gold rush, two brothers sold all they had and went prospecting for gold. They discovered a vein of the shining ore, staked a claim, and proceeded to get down to the serious business of getting the gold ore out of the mine.

All went well at first, but then a strange thing happened. The vein of gold ore disappeared! They had come to the end of the rainbow, and the pot of gold was no longer there. The brothers continued to pick away without success. Finally, they gave up in disgust.

They sold their equipment and claim rights for a few hundred dollars and took the train back home. Now the man who bought the claim hired an engineer to examine the rock strata of the mine. The engineer advised him to continue digging in the same spot where the former owners had left off. And three feet deeper, the new owner struck gold.

A little more persistence and the two brothers would have been millionaires themselves. There's gold in you, too. Do you need to dig three feet farther?



**For further information or assistance, remember you may call the  
ACCESS EAP at 946-5060 or 800-999-7895**