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| **10 Sure-Fire Steps to Optimize Your Credit Scores**    **Credit scores play a large role in determining the interest rate home buyers are offered on mortgages** or in some cases if they will even qualify for a loan. Many people do not realize that they can optimize their credit scores and build up their financial situation prior to trying to get a loan or refinance their current home mortgage.  **Below is a list of pro-active steps that can immediately affect your credit score and other steps take several disciplined months to improve your credit score**. When you realize how much of your hard earned money even a quarter of a percent can save you over the typical thirty years of a mortgage, the effort to improve your credit scores is well worth it.  **Short Term Credit Score Improvement Steps**   1. **Opt out of free credit card offers**. (This is also an environmentally friendly step, since you won't have as much junk mail to throw out.) Opt out by going to the opt out website or call 1-888-567-8688. Also notify your children in college, they are high profile targets for credit card companies (low income, somewhat clueless and apt to pile on late and over limit fees).   **2. Choose what credit cards you apply to wisely**. Pick the cards with the best rates and lowest fees and apply only one at a time. If you apply to several cards at once, all the credit card companies pulling your credit at your request takes 7 - 20 points from your overall credit score. Beware of credit card companies whose past practices have included low interest introductory rates that quickly jump to 25 - 30% if one payment is late. Also, some credit card companies charge a minimum that is less than the monthly interest expense, thus putting interest on the future balance of unwary cardholders accounts. Beware of what you're carrying in your wallet!   1. **Call 1-877-322-8228 or use the government's free website to check your credit report** and make sure that everything is correct. If you report a need for a correction to the credit reporting agency, by federal law, they have 30 days to correct the report or respond and defend their report. The default setting is that if the credit reporting agency fails to answer, they must remove or correct the entry or face the possibility of being fined. 2. **Never send a payment in late if at all possible**. Loan officers do not like to make mortgages or extend a line of credit to borrowers with a history of late payments. Credit card companies that do extend credit to buyers who have a record of lateness are looking to increase their profits from the late charges the account will bring. Late payments can cost you 20 points and remain on your history for 6 months or more - the length of time is usually determined by state law.   **Long Term Credit Score Improvement Steps**  The following two steps work together and each person's unique credit situation determines which step to focus on while carrying out your optimization strategy.   1. **Get your balances on each credit card below 80%**. The next positive point levels are at 50% and 30%. Although credit cards with the highest interest are typically the ones to reduce first, this is not a hard and fast rule. You also need to consider which ones are already close to the 80% level and which ones are close to being paid off entirely. 2. **Reduce the number of credit cards to three**. Of the cards you decide to keep, the most beneficial (apart from the interest they charge) are the ones that have been open 36 months or longer and your credit limit is higher than $1,000. 3. **Minimize the number of installment loans** you have (car, mortgages, student loans and signature loans). Optimal is only one installment loan.   **8. Other credit requests that affect your credit score**:  Mortgage lenders: 2 points  Car dealers: 7 - 10 points, can be more if from a high-risk lender  Finance companies: up to 40 points. A finance company is one that offers those "90 days same as cash" deals.   1. **Don't allow accounts to go into collections**. Collections may reduce your FICO 20 to 60 points. Once you resolve the issue, make sure to get a written confirmation. "Resolved" disputes have been known to still get sent to collection agencies.   **10. Avoid bankruptcies and judgments**. The point penalized for these starts at 20 and goes up. Loans with the best interest rates are not offered to applicants that have bankruptcies showing up in the last three years.  Keeping your credit score high is a constant maintenance chore. With married couples, another tip is to be of one mind in pursuing credit card offers, installment loan purchases or handling of debt. Working at cross purposes may limit future choices in your financial world. |