

Title:

Best way to improve credit score

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Summary:

If you have ever had a loan denied it was probably humiliating, embarrassing, and a harsh reality check.

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Article Body:

If you have ever had a loan denied it was probably humiliating, embarrassing, and a harsh reality check. So much for that bright red Mustang convertible you wanted. Or maybe it was for an old, beat-up, rusty sedan you thought you could afford to drive back and forth to work. Sadly, that new five bedroom, brick home with the sun porch is out of reach. Or was it your last hope for a deposit to rent a simple one bedroom apartment for you and your family. Some people know before they ever apply for a loan that they will be denied due to a poor credit rating. Others are completely surprised to find out their credit history is hurting. How does this happen?

Sometimes it's just a lack of discipline or good organizational skills. This leads to poor paying habits and late payments which can damage your credit. Sometimes it's temporary circumstances beyond your control such as a job layoff, divorce, illness, etc. You are forced to choose between putting food on the table and making a credit card payment. That's a tough one. Thankfully, there are ways to improve your credit rating with a little effort. The following five tips can help.

1. Often, a big part of your credit score depends on your debt to credit ratio. I'll give you an example. If you have a credit card with a \$1000 limit and you carry a \$900 balance this would make the percentage you owe to the percentage available 90%. On paper it would look like you were in a credit-tight position. There are three ways to improve this.

A) Apply for another card. Whatever the limit is becomes part of the calculation. If it is \$1700 you now have a total limit of \$2700. This brings your ratio down to 33% (\$1000 original credit + \$1700 additional credit divided

by \$900 balance=33%). That's a big difference.

B) You can do the same thing by asking your current credit card company to raise your limit.

C) Pay down your current balance. Make it a priority!

2. Always try to pay your bills on time. Chronic slow or late payments lead to denials or approvals with ridiculously high rates. If you just can't seem to remember when to pay bills try using a personal planning calendar, PDA, or numbered folder. I use a folder that has multiple dividers numbered 1-31 for each day of the month and additional dividers for each month. You can get these at office supply stores. File your bills in the divider where you will see them the week before they are due. Check the folder daily.

3. Get a copy of your credit report and contact the credit bureaus if you find errors. Ask to have them removed.

4. If you have a credit card for every store you have ever entered...cancel some! No one needs fifty retail credit cards. Retail cards are sometimes viewed less positively than bank cards so get rid of them first.

5. Piggyback on the good credit of a friend or relative. Have them add you to their account (but don't use it). Once you're on, ask the creditor to report this account to the credit bureaus. Be careful with this one. Don't abuse the goodwill of your friend or family member by using the account without asking first!

In our credit-driven society it's way too easy to bite off more than you can chew. Throw in a couple of life's little emergencies and you can quickly get into trouble. The tips here can be helpful, but I suggest you don't just use them for temporary gain. If you go to the trouble to improve your credit, go to the trouble to keep it good. Look at your habits and try to change them if necessary. I know this is a tough one that we all have trouble with, including me. Hope this helps.