



RAISING YOUR CREDIT SCORE IN 2011

It's a good time to have good credit. People with favorable credit scores are now enjoying one of the best rate environments in the last 20 years. As our nation continues to rack up more and more debt, many responsible individuals have returned to the core methodology of not spending more than they earn. The outlook may not be as pretty for those who let spending exceed their earnings in the last ten years. Those looking to reclaim a respectable credit score might try these tips in 2011.

BALANCE YOUR CREDIT CARD'S CREDIT-TO-DEBT RATIO

The general rule of thumb is that **you should not use more than 20% of your available credit**. If your balance is more than 20%, decrease your credit card spending or increase your credit card payments. Remember that the ratio is important, not just how much you owe. For example, a \$500 balance may not seem like a big deal - until you factor in a \$700 limit. That's a credit-to-debt ratio of 71%, which would have a serious impact on your credit score.

MONITOR AND UPDATE YOUR CREDIT SCORE

You don't need to pay a service to get your credit score. **Once a year, you can get your score for free** from Equifax, Experian, or TransUnion. If you would like your score to reflect any recent positive changes you've made, consider rapid re-scoring. In what essentially is an unplanned update to your report, re-scoring can help you access a loan or other form of credit that you previously weren't available for. Re-scoring is not free, however – average cost is around \$30.

KEEP CARDS, SPEND LESS

We feel those who cut up their credit card altogether distilled the wrong lesson from the crisis. Credit cards are not inherently bad; spending too much on them is. It can be hard to tell yourself 'no' sometimes, but disciplining credit spending is a better idea than cancelling your cards altogether. **Cancelling cards can actually lower your credit score by making your credit history seem shorter than it is.** If you must close an account, only close your most recent accounts. Before you do that, try assigning cards to certain 'tasks' – groceries, gasoline, and entertainment are good examples. This will make it easier to predict expenses and pay off every card each month.

MAKE REGULAR PAYMENTS

We're not going to patronize you here, just remind everybody that **your payment history makes up of 35% of your credit score**. In the case of your credit score, responsibility plays a major role.

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