



Financial Education Resources

Simple Ways to Raise Your Credit Score

You probably know the importance of a high credit score, as many companies – from lenders to insurers to cell phone service providers – use it to evaluate your credit risk. In today's tough economy, keeping your credit score high is as important as ever, as your ability to secure a loan or refinance your home for a better mortgage depends on it.

With a little discipline, raising your credit score and keeping it high does not have to be difficult. Following are some tips for people who want to raise their credit scores:

Don't Be Late With Your Payments. When it comes to raising or maintaining your credit score, the most important thing you can do is pay all your bills on time. The "pay by" date is the date by which your payment must be received. When you're paying your bills, be sure to allow sufficient time for mailing to avoid a late fee. You may want to consider other payment options, such as online payments or pre-authorized debit, which are fast and free. Plus, you save money on postage.

Avoid Carrying a Balance. If you can pay your bills in full and avoid carrying balances on your credit cards, your credit score is likely to increase. High balances are bad for your credit score. Even if you pay more than the minimum and all of your bills on time, high utilization of credit is typically a sign of financial stress and may lower your credit score. If you must revolve your balances, keep them to a small amount of your available credit.

Minimize Inquiries. When you apply for credit, the lender pulls your file. That's called an inquiry and it will be recorded on your credit history. Too many inquiries within a short period of time may have a negative effect on your credit history and score. So if you're planning for a big purchase, like a home or a car, keep excess inquiries off your credit history by not applying for other loans or opening up credit accounts while you're in the process of shopping for the loan for that purchase. And when you're shopping for that home or car loan, make all your applications within a two-week period. Then all the inquiries will count as one (as opposed to multiple inquiries), with only a five-point hit to your credit score.