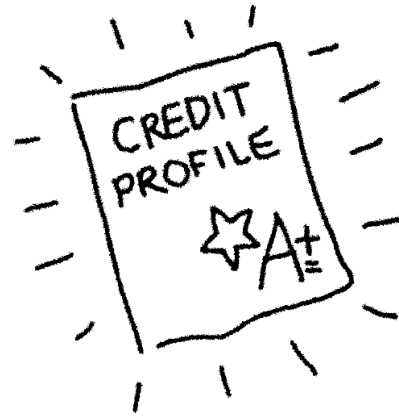


9 Ways to Improve your Credit Profile

By Gerri Detweiler



For most of us, it's a mystery: you fill out a credit card application, send it in, cross your fingers, and hope for the best. And, with most lenders, chances are about 50/50 that you'll get a card. That's because many issuers turn down about half of the applications they get. And just because you get a pre-approved offer doesn't mean you'll get the card. Even pre-approved applications will be evaluated before a card is mailed.

What can you do to maximize the chances that your application will make it into the "yes" pile?

Most credit card companies, as well as many other lenders, use credit scoring systems to help them decide who gets credit and who doesn't. A credit scoring system works like this: a lender takes a look at its customer base and compares those borrowers who have paid their bills on time and those who haven't. Using sophisticated computer programs, they try to figure out what factors those customers have in common. For example, the lender may discover that people who move frequently are less likely to pay their bills on time than people who stay put. If that's the case, then they will look at how long applicants have been at their current address in their scoring system.

Credit scoring has become so sophisticated that many times when you apply for a credit card, your application is reviewed and evaluated by a computer, rather than a person. It may sound spooky, but in fact, lenders can review and approve a lot more applications that way. It doesn't mean these programs are perfect, though. If you have unusual circumstances like a recent illness with high

medical bills, a divorce that hurt you financially, or other problems, you may find it very frustrating to try to get credit because you don't "look" like everyone else, credit-wise. Even then, however, there are almost always things you can do to improve your credit and your score.

Scoring programs will usually evaluate information in your credit report and your application. It's the information in your credit report that carries the most weight, though, so you'll really want to make sure that it's complete and accurate. See Debt Counselors of America brochure, *Ten Ways to Repair Your Credit*, for more information on fixing credit report errors.

Here are some of the factors that are most likely to be considered for a credit score, and strategies for using them to your advantage:

1

Chequing and Savings Accounts:

Having both a chequing and a savings account can improve your credit score.

Don't worry about how much money you have in these accounts, it's really just important that you have one of each.

2

Major Credit Cards: It's essential that you have at least one major credit card, like a Visa, MasterCard, Discover or American Express card. Two are even better. Having a

major credit card, paid on time of course, is one of the best ways to boost your score. If you don't have a major credit card, consider getting a secured one. You'll be amazed how much it helps.

3

Credit References: When it comes to credit scoring, having credit is definitely better than not having it. Even if you're really careful with your money, and have avoided debt all

your life, if you don't have credit cards, your score will suffer. Generally, having three or four credit accounts, including one or two major credit cards, is good. Mortgages, car loans and department store cards, as long as they are reported to the major credit bureaus, can help. (Many gasoline cards and small, local department store cards are not reported unless you don't pay.) Finance company loans, though, can actually hurt your score, so steer clear.

4

Payment record: Paying your bills on time is one of the best things you can do to help your score. It doesn't matter whether you pay off your accounts in full each month, or

can only afford the minimum due. What's most important is that you mail those cheques on time! If you've had late payments in the past, try from here on to make sure they're paid promptly. Eventually, the older, negative information will become less important.

5

Employment: With most lenders, you'll score better if you've been in the same job or working at the same company for at least a couple of years. That doesn't mean you

should stick with a job you don't like just to improve your credit score. But it does mean that if you are planning to leave your current employer and think you'll need to apply for credit in the next few years, do it now.

6

Address: Similar to your job, lenders generally want to see that you've been living at the same address for a couple of years.

This isn't always the case, though. In particular, lenders really like to target people who have just moved for new credit cards. Like employment, though, it's stability that lenders want to see, and living at the same place can help demonstrate it. Also, homeowners may score better than renters.

7

Inquiries: Every time you apply for credit and someone looks at your credit report, an "inquiry" is added to your file. It doesn't matter whether or not your application was

approved, what matters is the fact that someone accessed your credit report recently. Usually more than four or five inquiries in the previous six months will count against you. So, if you're looking for a loan, be careful

how many applications you submit. Once inquiries are on your credit report, you can't remove them, but after six months, they probably won't count against you.

8

Debt: It's amazing how much credit card debt some people can rack up – and then still get lots of offers for more. But, if you want to refinance your debts and obtain lower

interest rates, having too much debt may be a problem. There are two things lenders may consider here: how much debt you have in comparison to your income as reported on your application (your "debt-to-income ratio") and how close you are to your available credit limits. Since every lender is different, it's hard to say how much is too much, but paying down your debts can only help improve your financial life. If you have been turned down for credit due to too much debt, contact Debt Counselors of America for help at www.dca.org or 1-800-680-3328 for information about programs to reduce your debt.

9

Collection Accounts, Judgments, or

Liens: These can be a real red flag to lenders. Many will turn down your application if you have one of these accounts

with an unpaid, outstanding balance. Make every effort to get them paid off as quickly as possible. Once you do, check your credit report to make sure they are listed as "paid" on your report.

By the way, every scoring system is different, because they are designed based on a particular lender's experience with borrowers. And, no, you can't get a copy of your credit score – they're kept tightly under wraps. Just keep your credit report in the best shape possible, and if you are turned down, apply somewhere else. Of course, remember not to apply more than four or five times within a six-month period!

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