



Top 10 Tips To Improve Your Credit Score

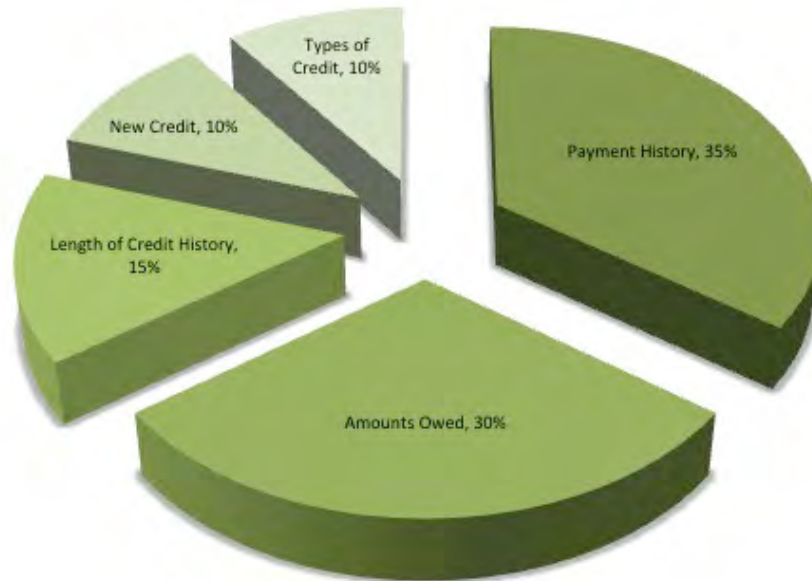
 The
Money Professors
A Higher Degree of Financial Literacy



**This report was excerpted from the
Workbook, *Turn Your Debt into Dollars***

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Top 10 Tips to Improve Your Credit Score



There are no magic fixes available, but there some basic steps you can take to improve your credit score.

Tip #1 - Pay your bills on time.



This may seem like common sense, but keep in mind that your payment history represents about 35% of your total score. Paying your bills on time is like acing a final exam! By setting up automatic payments through your lenders/creditors or by utilizing your bank or credit union's online bill payment feature you can prevent missing any more payments – assuming you have enough income to cover your bills. There are tips throughout the (*Turn Your Debt into Dollars*) workbook including how to set up multiple accounts to avoid accidentally spending part of your mortgage payment on lunch!



Tip #2 - Pay down your debt.



Half of (*Turn Your Debt into Dollars*) workbook or more is about eliminating and properly managing your debt. By eliminating debt you are showing that you are responsible with money that you borrow and that you are a good risk for lenders since they will get their money back. Since 35% of your credit score is based on payment history and 30% is based on amounts owed, making your on-time payments as you chip away at your debt will make a positive contribution to 65% of your score!

Tip #3 – Pay Down Your Credit Cards



Try to keep the balance on each to no more than 30% of your available credit. This goes back to credit utilization. With 30% of your score based on amounts owed, one of the things they look for is your credit utilization rate – the amount owed compared to the amount of available credit. Keeping your credit cards to less than 50% is very helpful. Keeping it below 30% makes you a poster child for responsible borrowing.

Tip #4 – Get an Installment Loan



If you do not have a loan such as a car payment, consider taking out a personal loan and paying it off over several months. Having a mix of different types of debt is good for your score. Since 10% of your credit score is based on types of credit, your lender wants to see that mix.



Tip #5 – Get a Credit Card



Get a credit card if you do not have one already, but you do not have to have a balance. Just use it on occasion and pay it off before the due date. As just mentioned, 10% of your score is based on mix of debt. Can you handle revolving debt as well as installment loans? Prove that you can. Just don't get too many new credit cards or that could hurt your score. After all, 15% of your score is based on length of credit history and 10% is on new credit, you can hurt yourself with too many new credit cards.

Tip #6 – Use Your Older Credit Cards



Use your older credit cards – the length of your older accounts is important so use your oldest credit cards once in a while. With 15% of your score based on length of credit history it is important that you don't have one of your older cards get canceled by the issuer due to inactivity. It is good to show some level of activity on the older cards.

Credit Score Literacy?

- 🎯 54% of Americans incorrectly believe that their credit score can be found on their credit report.¹
- 🎯 Only 16% of Americans understand how credit scoring works.²
- 🎯 Only 42% of Americans know their score.³



Tip #7 - Check your credit report for accuracy.



It is tough enough to build a good score; you don't want inaccurate reporting costing you valuable points! If any of the following errors exist, get them fixed immediately:

1. Negative items older than seven years (or 10 years for bankruptcy). These items should have come off your credit report automatically.
2. Accounts that were handled in bankruptcy but still show up as unpaid.
3. Credit limits that are incorrectly reported as lower than they actually are. This will affect your utilization rate.
4. Late payments, collections, or accounts listed as "settled", "paid derogatory", or "paid charge-off" if these are not accurate.

Tip #8 - Ask to have late payments erased or have your accounts "re-aged".



If you messed up in the past but have been on time for several months. Life is all about negotiating. Some creditors are so happy to have you catch up and begin paying them back that they would be happy 'give you a good reference.' Not literally write a letter for you,

but rather adjust how they report your ability to pay as well as your current status. Payment history is worth 35% of your score so this can make your score jump up significantly.



Tip #9 - Dispute negative information that is older than three years.



Major credit card issuers and banks are likely to have an airtight reporting system (although you would be surprised), but collection companies may not bother to verify small accounts. If you dispute an account and they do not verify it then the reporting bureaus will drop it. Of course you may still be legally obligated to pay the account if the creditor later pushes the issue, but that would mean they would have to put effort behind that account.

Tip #10 – Avoid Closing Unused Accounts



Cancelling old cards could make your credit utilization go up which will make your score go down. Since amounts owed represents 30% of your score and includes your utilization rate, you are better off keeping your cards even if you have no plans to use them than to cancel them. In addition, if you cancel older cards, it makes your average account age younger and your oldest account would now be one of the younger accounts and that can affect 15% of your score.



Bonus Tip – Pay Off Your Debt Entirely



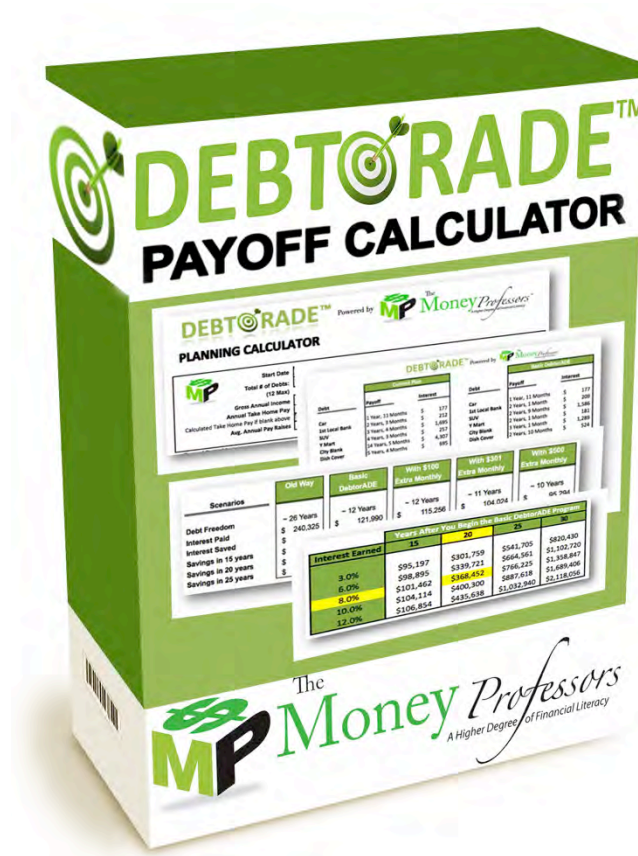
When you have debt, you are spending tomorrow's income today. By getting yourself into debt, not only do you sacrifice your future income, but you also are paying more for everything once you include the interest charges. You are selling away your choices.

Imagine for a moment that you have no credit card payments, no personal loan payments and no student loan payments. Now imagine eliminating your car payment(s). Finally, look at where you would be every month if all those payments were gone, and you also had no house payment. Wow! For many people, that would be like getting a 40% pay raise or more! In other words, you would have 40% more money every month to spend.

About The Money Professors

The Money Professors provide financial literacy education to audiences of all types using various entertaining and engaging methods. From seminars to textbooks to software we can help whether you are trying to learn more about personal finance or you are a financial literacy professional looking to add content or improve delivery.

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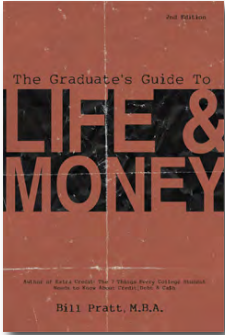


If you want to pay off your debt the fastest way possible, you will want to use the DebtorADE™ Payoff Calculator. It does all of the math work for you AND it shows you month-by-month how much you will still owe so you can track your progress. It's like having your own financial counselor coaching you along the way! Get the DebtorADE™ Payoff Calculator for Free!

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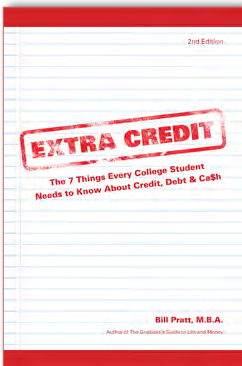
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Data Sources

- 1 - <http://www.creditcards.com/credit-card-news/credit-score-statistics.php>
- 2 - <http://www.acainternational.org/creditors-survey-americans-have-limited-understanding-of-credit-scoring-29483.aspx>
- 3 - <http://www.acainternational.org/creditors-survey-most-americans-dont-know-their-credit-score-29500.aspx>