

CONTROL YOUR CREDIT SCORE

LENDERS DON'T HAVE AS MUCH POWER AS YOU THINK

According to a February 2012 survey by FreeScore.com, 47 percent of consumers believe lenders have more control over their credit scores than they do. Actually, this is a severe misunderstanding. Not only are credit scores entirely determined by your actions, the formula is freely available to anyone who wants to see it.

Today, we examine how credit scores are truly determined—and what you can do to raise yours.

HOW IS YOUR CREDIT SCORE DETERMINED?

While it might seem as though lenders arbitrarily decide how creditworthy you are, your score is actually determined by a simple formula:



35% PAYMENT HISTORY



30% AMOUNTS OWED



15% LENGTH OF CREDIT HISTORY



10% NEW CREDIT



10% TYPES OF CREDIT USED

WHICH FACTORS INFLUENCE EACH AREA?

Within each category, a number of factors work together to influence your score. MyFico.com lists the following as some of the most important:

PAYMENT HISTORY

- Account payment information for credit cards, auto loans, etc.
- Bankruptcies, lawsuits, judgements, or liens
- Number of past-due items
- Past-due amounts
- How long past-due
- Number of accounts paid as agreed

AMOUNTS OWED

- Total amounts owed
- Amounts owed on specific accounts
- Number of accounts with balances
- How much available credit is being used
- How much still owed on installment loans

NEW CREDIT

- Number of recently opened accounts
- Proportion of accounts that are recently opened
- Number of recent credit inquiries
- Time since recent credit inquiries
- How long past-due
- Rebuilding of positive credit (if you once had poor credit)

LENGTH OF CREDIT HISTORY

- Age of accounts
- Time since most recent account activity

TYPES OF CREDIT USED

- Variety of credit accounts (credit cards, retail, installment/auto loans, mortgages, etc.)

CONCRETE WAYS TO IMPROVE YOUR SCORE

If all of these factors seem intimidating, don't worry. Here are five concrete ways to make the biggest difference in your score:

PAY ON TIME



PROMPT PAYMENTS ARE THE MOST IMPORTANT FACTOR.

LENDERS DON'T LIKE TO SEE YOU USING 90 PERCENT OF YOUR AVAILABLE CREDIT.



BACK AWAY FROM THE EDGE

STRIVE FOR LONGEVITY



KEEPING ONE CARD IN GOOD STANDING FOR MANY YEARS DEMONSTRATES RESPONSIBILITY.

LENDERS WANT TO SEE THAT YOU CAN MANAGE DIFFERENT CREDIT TYPES: CREDIT CARD, AUTO, STUDENT LOANS, STORE CARD, ETC.



MIX IT UP

AVOID TUNNEL VISION



REMEMBER THAT MANY FACTORS DECIDE YOUR SCORE, NOT JUST ONE.

Your credit score is determined by **YOUR** own financial behavior, **NOT** the commands of a lender. Take smart, calculated action and **WATCH YOUR SCORE GO UP!**