

TIPS TO INCREASE YOUR CREDIT SCORE



Gibbs Financial Fitness aims to provide information to clients about their credit repair process. Here are some of the tips that will guide and improve client's score. Improving your credit score is one piece of the financial puzzle.

Reviewing your credit report

This will enable you to eliminate errors and omissions. If you observe any negative mark that does not belong to you, you can dispute it. Additionally, if your account is not listed on your report, simply ensure that it is added. AnnualCreditReport.com helps you to check your credit report for free once in a year. Creditkarma.com and freecreditreport.com are other means of monitoring your credit without any charges.

Payment history: 35%

The time expended before paying back your debt is one of the biggest factors that influence your score. For instance, if you are 30, 60 or 90 days late on a particular payment, it can affect your credit health as bankruptcies and foreclosures can also have a drastic effect.

This part of the score is very simple to improve even though, it takes time. In a situation where you find yourself with the derogatory mark, which is a credit score penalty for late payment, you can stop things from getting worse. Making a payment 30 to 60 days late can have minimal impact over two years, However, if you are 90 days late, it could reflect on your report for up to seven years. The effect of one 90-days late payment can be equivalent to bankruptcy filing so the simplest thing to do is to pay all of your bills on time and if this is quite impossible, you need to limit your delays to 30 or 60 days.

30% Amount of debt.

The amount of debt that is owed is another thing that affects your credit score. Even though this can be straightforward, there are other means of boosting your segment's score.

You need to get as much credit as you can because your debt level is calculated as a percentage of your total credit limit. This implies that if you have a credit card balance of \$100 and your limit is \$1000, the bureau will view it as 10% of your credit utilization. Generally, most credit bureaus will love to notice a gap between your balance and your limit hence, a lower utilization, preferably 30% or less.

Raising your credit limit and keeping your balances paid down will help you to lower your utilization percentage. Furthermore, you can contact your credit card provider for an increase in your limit every 6 months. If this tactic is used properly, this will help you boost your score. Even though this seems counterintuitive, you should always use the lines of credit that you have. Using your credit card can be viewed negatively by various people but it can mold the history of on-time payments. Having a balance that can be paid every time tells lenders that that you have the ability to pay back your debts. However, it is advisable to pay off your credit cards in full each month in order to prevent interest charges. An average American has close to \$7,000 in credit card debt, thereby equating to hundreds of dollars yearly in unnecessary interest charges.

15% length of credit history

During the calculation of this section of your score, two things are important: your age of your oldest account and the average age of all your accounts. The higher your score, the older your credit history. Getting new credit lines too often will drag your average age of accounts down, which negatively affects your credit score. It would be very beneficial to get start building credit at the age of 18.

A Low limit credit card once you are 18 that can be used for small purchases and paid right back off will do the trick. The additional years that you have in your credit history can help you save thousands, especially when applying for mortgages decades later. College students also have the opportunity to take advantage of the credit cards that are designed for them.

Old credit accounts are not meant to be closed. Even though you may be tempted to close a credit card that you have not used in years, it can affect your scores negatively especially if it's old enough to lengthen your credit history. You still need to keep your oldest account open. Even though this takes a friend or family member to pull off, your credit age can be advanced by adding your name to a credit card that they have already had in a few years and have keep in good standing. You do not need to end up using the credit card, as your registration on the account will help to improve your credit history as compared to any other method.

10% Credit inquiries

The number of credit lines that you have applied for recently is also looked into by the Credit Bureaus. The number of times you apply for credit affects how your score will be. Credit inquiries can either be in the hard or soft form and it is very essential to note the difference especially when you are planning to improve your score.

When an institution checks your report with the aim of approving or declining you for new credit, hard inquiries occur. Additionally, when applying for things like mortgages and credit card, this is quite impossible to avoid. Although the impact can be small and roll off completely after 24 months, Bureaus regard the application for more sources of credit as a negative because it simply implies that you are having cash flow problems, but a little overall inquiry should not be a problem.

Soft inquiries have the possibility of occurring without your knowledge. Such inquiries include background checks for a new job or looking up for your own credit score online. These do not affect your score as much as hard inquiries do.

10% Credit mix

This section considers the types of credit that you have as well as the number of accounts that exist in your name. The most common forms of credit are credit cards, auto loans, and student debt. Even though it goes against common sense, you tend to get more points for having a wide array of debt sources, as it depicts your ability to pay back various forms of loans. Building a well-rounded debt portfolio is the simplest way to boost your score. However, this only makes up a fraction of your score and should happen fairly naturally as your age. You do NOT need to worry about adding numerous accounts to game the system.

Erase the dings

This one technique involves disputing the old, wrong negative information on your credit history. The creditor will have up to 45 days to verify the account or delete it from your credit report..

A credit line increase request

The rise in your credit line tends to decrease your credit utilization ratio and this is a percentage of your credit limit that you have used. Most credit card provides the option of requesting for a credit line increase without any inquiry.

Pay off debt

If you have made a move to increase the denominator (credit amount available) of your credit utilization ratio. You need to focus on making the numerator (credit amount used) smaller. The best way to achieve this is by paying off debt. This can be achieved by lowering your total balance owed. The total of interest paid will be decreased and the credit score will be improved at the same time. Credit cards balance should be less than 30% of the limit.

Charge less:

The credit bureaus do not consider if you carry a balance when the credit utilization ratio is calculated. Your statement's closing balance will be taken even if it is paid in full during the same period. Using your credit card less and lowering your statement balance will give your score a boost.

Consolidate

If multiple cards are gotten from one issuer, you need to consolidate the newer cards into older cards. This can be done by calling customer service and inquiring if they offer this. The idea is to increase the average age of your revolving lines of credit without reducing your credit limit that will affect your credit utilization ratio.

Be Patient

If you have a major black mark on your credit history or if you have filed for bankruptcy, it will take time to put some space between that event and your score. It takes about

seven to ten years to erase the negative effects of a bankruptcy filing from a credit report. Or you can work with a credit counseling company and see what your options are to work on getting some of the derogatory marks. Legally, no creditor has to remove any negative data that is verifiable until the 7-10 year mark passes.

Maintaining account in your name

If you are a college student and still spending mom and dad's money or you are an unemployed spouse with an account in your partner's name, you need to set up some account in your name. This will give you the chance to build your credit history. Some bill accounts will be reported on your credit report monthly, such as a cell phone bill and electricity bill.

Apply for a secured credit card

If you aim to build your credit score from scratch, you will need to start with a secured credit card. A secured card backs the cash deposit that you make upfront. The deposit amount equals to your credit limit. This card can be used by any other cards such that it can be used to buy things online and make payment before the due date. You tend to incur interest if you do not pay your balance in full every month. This cash deposit will be used as collateral if you fail to make payment. As soon as you close your account, you will receive your deposit back. Secured credit cards are not designed to be used forever. The main purpose of your secured card is to build your credit card to qualify for an unsecured card. You need to choose a secured wallet that has a minimal annual fee and ensure that it reports to all three credit bureaus; Equifax, Experian and TransUnion.

Credit Builder Loan Application

The sole purpose of a credit builder is to help people to build credit. It involves holding the money you borrowed by a lender in an account and not increased until the loan is repaid. It is similar to a forced saving program of sorts and your payment will be reported to credit bureaus. The loans are usually offered by credit unions or community banks.

Get a Co-Signer

It is also possible to get a loan or an unsecured credit card with the aid of a co-signer. But you need to be sure that you and your co-signer understands that the co-signer is on the hook for the total amount that is owed.

Become an authorized user on another person's credit card

In a scenario where a family member is willing to add you as an authorized user on their card, this will give you the opportunity to access the credit card and you'll also build credit card history although, you won't be obliged directly to pay for the charges. You need to confirm from the primary cardholder to ensure that the card issuer reports authorized user activity to the credit bureaus. There needs to be an agreement about how the card will be used before you are added as an authorized user. Even if you are not legally obliged if the primary cardholder expects you to pay your share, make sure that you do so. This will only work in your favor if the utilization is low and the cardholder has never been late on a bill.

GET CREDIT FOR THE RENT YOU PAY

Rent Karma and Rent Track takes a bill that you are already paying and put it on your credit report thereby helping you to build a positive history of on-time payments, it is not every credit score that considers these payments but some do and this can be enough to obtain a loan or credit card that establishes your credit history for all lenders.