LOW CREDIT SCORE?

HERE’S HOW TO BOOST YOUR RATING & YOUR ODDS FOR A GREAT LOAN

If a less-than-stellar credit score stands between you and a great mortgage, a few simple steps can help raise your score and improve your chances of getting a loan at a good interest rate.

First, it's helpful to understand how your credit score is determined. FICO scores, which range from 300 to 850, indicate a person's creditworthiness; would-be home buyers with FICO scores of 720 and above get the best mortgage rates and terms.

How is your score calculated? Though FICO doesn't divulge the exact formula it uses to determine credit scores, here are the five components:

- 35% = your payment history
- 30% = your total amounts owed
- 15% = your length of credit history
- 10% = your new credit or recent credit searches
- 10% = your credit mix

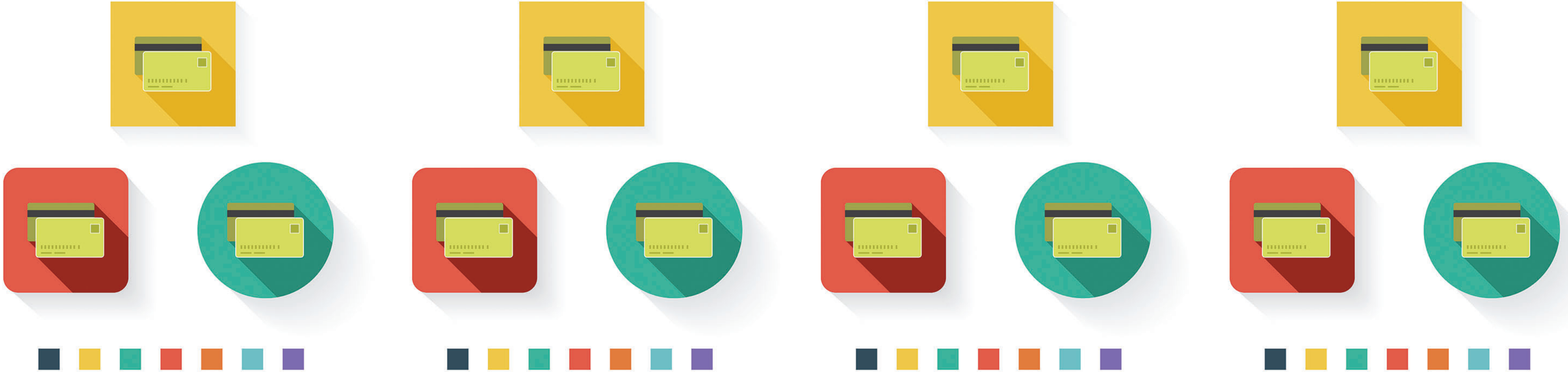
What does this mean for you? Let's break it down...

Payment history. To determine if you're a good credit risk now and in the future, lenders want to know how you've handled your past credit accounts. Specifically, have you paid them in full and on time? A few late payments in your history won't ruin your chances of a high score if your overall credit picture is strong. Interestingly, having no late payments is no guarantee of a good score. Again, your overall credit health is what counts.

TIP: If you need to boost/repair your credit rating, be sure to pay your bills on time. Nothing looks better to a lender than regular, month after month, on-time payments in your credit history.

Total amounts owed. Lenders pay careful attention to the amount of credit you're using (total credit card balances) versus the amount of credit you have (total credit limits). Having a high balance, or worse, maxing out your cards, says "bad credit risk" to a lender. Optimally this ratio, known as your credit utilization rate, should be below 30.

TIP: To improve your score, pay down your balances and keep them low. Another strategy: Ask for a higher credit card limit, which effectively lowers your credit utilization ratio. But don't use a new, higher credit limit as an opportunity to charge more.

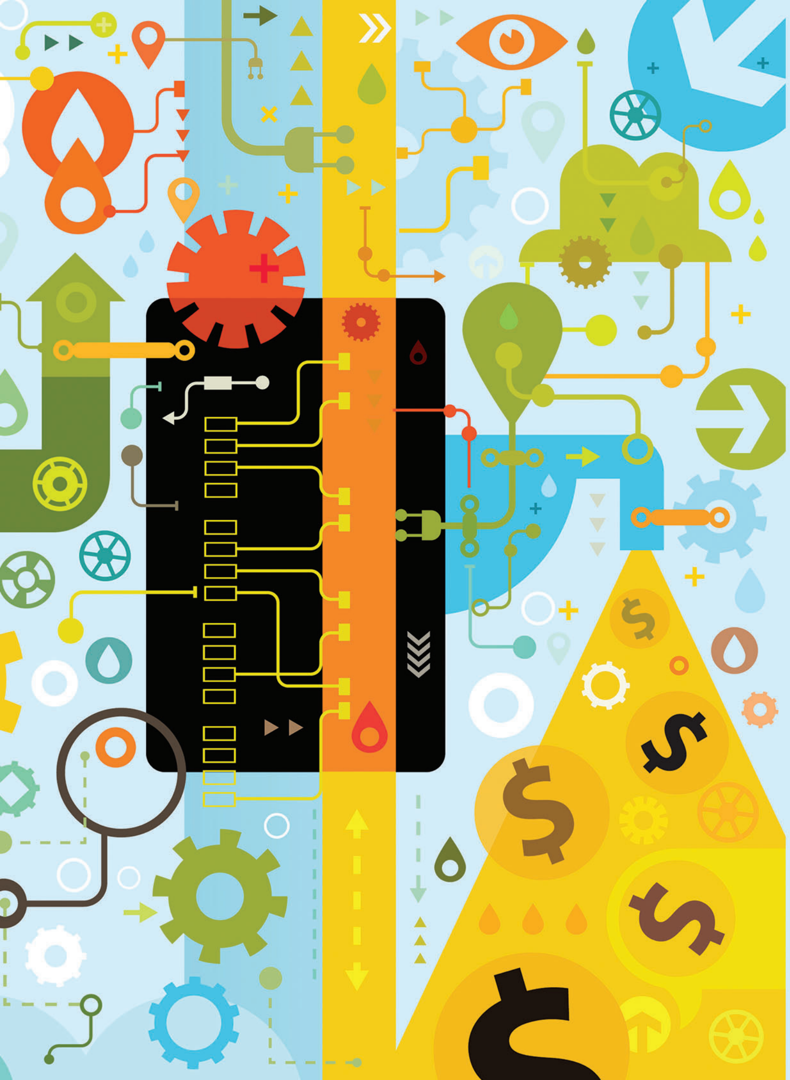


Length of credit history. If you've wisely handled credit in the past – i.e., you've paid your accounts on time and in full – lenders want to know this. Have you paid off a car or personal loan? If so, don't rush to remove paid-off debt from your credit report. Old good debt is good for your credit score.

TIP: Don't cancel credit cards or close accounts that you're not using. Because lenders consider the total amount of credit you have versus the credit you're using, having credit sitting idle actually works in your favor. So keep those accounts open – and empty!

New credit. If you've opened several new accounts recently or have been card shopping, this could negatively affect your score; remember, older debt is better debt (see above). Even if you've sensibly used credit for years, opening new accounts could lower your score.

TIP: If you don't have a credit card, by all means get one and use it responsibly to establish a good credit rep and improve your score.



Credit mix. Do you have credit cards, retail credit cards, installment loans, etc.? Having a mix of credit isn't a liability; what's important is having a good track record of payment. Proving that you have ably managed your cards and loans will help raise your FICO score.

TIP: Your credit score will look at the total number of accounts you have. There is no magic number for how many is too many – that will depend on your overall credit health. Closed accounts also will show up on your credit report and your payment history with them.

MORE TIPS...

1. Check your credit report. By law you are entitled to one free credit report from each of the three major bureaus (Equifax, Experian, TransUnion) each year. Get a copy of your report and review it thoroughly. Consider staggering your requests throughout the year (e.g., once every four months). That way you can keep tabs on your files more frequently at no cost.

2. Fix errors. When reviewing your report, make sure all of its information is current and accurate. Resolve past due accounts, old collections, credit card charge-offs, judgments and liens. Look for any errors – e.g., incorrect late payments, a wrong balance, a debt that's not yours – and have them fixed by the credit bureau responsible for the report.

3. Get authorized. Become an authorized user on an account in good standing. For example, if your parents add you to their credit card or you join an account with your spouse, the good credit history of the card holder will accrue to you and help beef up your score. By the same token, the bad credit history of the account holder will also accrue to you, so choose wisely when you become an authorized user.