

Improving Your Credit

Contributed by admin
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Improving your credit couldn't be easier. You simply have to make the right decisions. There are many reasons why your credit could use improvement. Many people simply don't understand the way credit reporting and scoring works when they first start using their credit. Later on, when they try to buy a home or get a large loan, they find out that their credit isn't as good as it should be. Others fall upon hard times and have no other option. There are many homeowners out there right now that have had their interest rates adjust sky-high in the past year. Some of them have seen their payments double on a home that has a larger mortgage than it is worth. Too many have only one option -- default on the mortgage and let it go into foreclosure. They will have a long road ahead of repairing their credit.

Here's the good news. You can repair your credit. It isn't difficult.

It just takes time. That's the secret. Time is the key to improving your credit report and your credit score. You have to let time do it's work.

Avoid any business that tries to tell you that they can quickly fix your credit report or score for you. It is a scam. Credit repair agencies can't improve anything in your report that is correct. Only time and a change of habits will fix it.

The main thing that will change your credit is paying your bills on time. You have to pay them on time, every time. No exceptions. This will greatly improve your credit score. Your score will take into consideration your most recent history over what happened six years ago. If you have great credit and miss one payment today, your score could actually become worse than someone who missed a payment six years ago and hasn't missed one since. Don't miss payments.

If you have a problem paying your bills, call your creditors to work something out before you miss a payment. Your credit will be safer and they will be more likely to work with you towards a favorable ending.

Paying your debts will help improve your score. But keep in mind that delinquent accounts and charged off accounts will not be removed simply because you pay them. They will be there for up to seven years.

However, paying down your current debt load will help. And lenders like to see that you have made an effort to pay off what you owe. It shows that you take responsibility. They understand that sometimes things pop up on a credit report that you didn't know about. Just let them know that you paid it as soon as it came to your attention. And by paying down your current debt, you will improve your credit score. You don't ever want to be using more than 50% of your available credit. Keep it as low as possible.

Whether or not you should cancel your credit cards is a highly debated topic. Dave Ramsey, a respected financial advisor, says that you should because they leave you open for identity theft at the least. It also removes the temptation to use them. If you struggle with credit card debt, I think you should close them, regardless of how it affects your score.

The argument against closing says that if you close the accounts you have held the longest, you will shorten your credit history and reduce your score. And it does look good to have a certain number of revolving accounts in good standing. If nothing else, cut the cards up, but keep and eye on the accounts.

Give it time. Pay your bills on time. Pay off your debt. It is that simple.