



Ways to Boost Your Credit Score

Your credit is the financial equivalent of your good name. It's your ticket to a home or a car or a credit card, and a slip-up can come back to haunt you.

That's especially true now because the subprime crunch has spread to other types of credit. For instance, banks have been forced to write off record levels of credit-card debt, so they're requiring borrowers to have higher credit scores. A year ago, a score of 720 had lenders lining up for your business. Today, a score of 740 or 750 would get you an account but might not qualify you for the lowest rates.

So it's more important than ever to have a spotless credit history and a stellar score. Here are five ways to achieve both.

1. Know your starting point. If you haven't already seen your credit report, take a look now. Log on to annualcreditreport.com and get a free copy from each of the three credit bureaus: Equifax, Experian, and TransUnion.

2. Dispute any mistakes immediately. Go through your report with a fine-toothed comb and file a dispute with each bureau that reports an error. The process isn't lightning fast -- you typically have to wait 30 to 45 days for the bureau to investigate any disputes you submit -- but be persistent until any problems have been resolved. Big issues, such as an incorrect report that an account has gone to collection or is in foreclosure, could be costing you 100 points or more on your credit score. Check the dates on any negative information that's being reported. Accounts in collection are notorious for being reported long after they should have been expunged from your record. Negative items generally can be reported for seven years from when you first fell behind. Two exceptions are bankruptcies, which can be reported for ten years, and tax liens, which can stay on your record indefinitely unless you pay them. Other things to watch out for: paid-in-full accounts that still show a balance and someone else's record appearing in your file. If the credit bureau misspells your name or reports your address incorrectly, that doesn't affect your score.

3. Lower the ratio of your outstanding debt to your credit limits. This step is especially important now because many lenders have canceled home-equity lines of credit. With less credit available, big balances send your credit ratio up and your credit score down. If you're a long-standing customer with a good history, ask your current credit-card issuers to raise your limits. Or focus on paying down your balances so that you're using less of your available credit. Aim to keep your balance below 30% of your limit on each card.

4. Don't apply for new credit cards that you don't need. That 10% discount you're offered when you sign up for a retail card isn't worth it. When you apply for new credit, an inquiry is made on your credit report. Each inquiry is a tiny ding (3 points off), but enough dings can add up to a dent, especially if you have a short credit history. All credit inquiries can be successfully disputed and removed from your credit report.

5. Make your payments on time. It's best if you can pay your bill in full each month. But if you can't, pay at least the minimum, and pay on time. Late payments lower your credit score, which raises the possibility that your lender will charge you a higher rate. And if other lenders see that, they may raise your rates, too. That could mean more late payments in the future -- and thus begins the vicious cycle of credit-card debt. If your payment date is inconvenient, call your card issuer and request a change in the date. It may take a cycle or two to get results, but lenders are often happy to work with you.