

Money Tip Tuesday – Tips to boost your credit score

What's the big deal with credit scores? Most of us have them but do we really pay close attention to them enough to maximize our borrowing power? What if your credit score isn't so great? What are some things you can do to give it a boost?

I'm Liz with today's Tuesday tip from the Making Money Personal podcast.

Credit scores generate such a buzz in the financial world. That comes as no surprise since so much of our borrowing and purchasing ability depends on it.

Any financial institution needs to know your credit score if you want to apply for a credit card, purchase a car, buy a home or take out a Home Equity.

With so much of our lifestyles depending on our credit scores, it can be detrimental to us if our scores are not up to par.

Many things affect our credit scores like our repayment ability, the amount of money we borrow, how often we apply and the debt to income ratio.

An excellent score, according to the FICO score, is 800 and above, a very good score (above average) ranges from 740 to 800, a good score (average score) is 670 to 739, and a fair score is 669 and below. It can go all the way down to 300 (Investopedia). The lower your score, the more difficult it will be for you to borrow money or get a credit card.

I do want to note that there are, of course, other score types but the FICO is the most commonly referenced one.

Your score impacts your ability to borrow money. With a higher score, you're more likely to get approved and with most likely a better rate. A lower score can keep you from getting approved at all and, even if you do get approved, your interest rate will tend to be higher.

If you have credit woes, and your score needs a little boost, there are some things you can do to try and increase your credit score and set yourself up for approval on better loans and lower interest rates.

- **Tip 1:** Take a break from applying for credit cards and loans. Every time you apply for credit, your credit score takes a hit. This is called a hard inquiry and it will lower your score a little bit every time one is pulled. If you are applying for credit or loans often, your score will most likely be taking the hit, ultimately making you less appealing to lenders.
- **Tip 2:** Don't miss payments and work hard to pay any debts off. The best way to make sure your score stays healthy is to make all your payments on time. Missing payments can wreak havoc on your score, demonstrating to lenders that you aren't reliable as a borrower. This will lower your score and make it harder for you to get approval for other loans in the future. Don't miss those payments.
- **Tip 3:** If you can, increase your borrowing limits. One thing your score factors in is the ratio between how much money you borrowed vs. what your borrowing limit is. It looks better on your score if you don't completely max out your borrowing limits. If you have been diligent with

your payments see if you can increase some of your borrowing limits. If you have \$10,000 in money owed and have all your limits and lines of credit maxed out, your score will be lower than if you have \$50,000 in debt but aren't close to any of your borrowing limits. Keep your debt levels away from your borrowing limits and this can help improve your credit score. (Investopedia)

- Tip 4: Try a secured credit card or loan. If your credit score is in shambles and needs some help, you may not be able to borrow any more money in attempts to boost your score. But, fortunately, some institutions offer a solution for those who need help establishing or building credit with secured credit cards or a similar type of loan. With these agreements, you provide the money up front to cover the limit as collateral to the lender. You then use the card and make regular payments to build your score. It's safe because it keeps you from borrowing money you don't have and will be effective in improving your score. Talk to your financial institution to see if they offer any tools like this to rebuild your credit.
- Tip 5: Stop using your cards, but think twice before closing them. If credit cards are just too tempting, stop using them. Find a way to put them somewhere where they won't easily be used. Making it inconvenient to charge to your credit card may be an effective way to keep you from building up balances that you'll be forced to carry over month to month. If you're considering closing your accounts, think about how it may affect your score. In some ways, closing a credit account can help by removing the temptation to build debt, but in other cases closing a line can affect your credit score because it decreases your limit and can appear as an inability to manage your credit lines.

With research, effort and diligence, a troubled credit score can be improved. If you find yourself looking for ways to raise your credit score, try using one of the tips we mentioned.

What did I miss? What are some other ways you know of to improve credit scores?

Look for Triangle Credit Union on Facebook, Twitter and Instagram and let us know what you think. There may be someone else out there who could use the extra tips.

Thanks for listening to today's Money Tip Tuesday and be sure to check out our other tips and episodes on the Making Money Personal podcast.

Catch you next time!