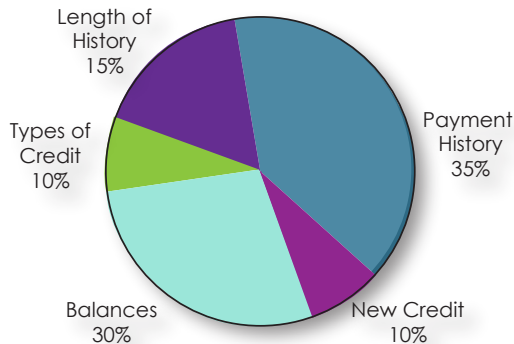




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What Makes Up a Credit Score & How to Improve It



A credit score is made up of the following:

Payment History – 35% of your score

Balances – 30% of your score

Length of History – 15% of your score

Established Accounts – positive effect

New Accounts – 10% of your score

Types of Accounts in use – 10% of your score

Following these tips below may help to improve credit scores.

Pay bills on time: Delinquencies occurring in the last two years carry more weight than older derogatory items.

Keep outstanding balances low: Make an effort to keep balances on revolving lines of credit (credit cards) at or below 30% of the credit limit at least 2-3 months prior to pre-qualifying for a home loan.

Be careful when closing long-established accounts: If paying off a credit card, don't close it, especially if the account has been open for a long period of time. As noted above, length of credit history impacts the overall credit score by 15%.

Keep credit inquiries to a minimum: Credit inquiries within a 12-month time frame will impact a credit score. However, the credit bureaus indicate that scores will not be negatively impacted if the same type of entity is pulling credit within a 30-day window.

Apply for a secured credit card: Many banks will issue a credit card if secured by a savings account. After a year of good payment history, they will generally release the need to secure the credit card.

It is important to understand that a credit score is like taking a photograph, once its generated additional information (late payments, new charges, payments, new accounts, etc) can occur and the score may change the next time it's pulled. This is important when preparing to buy a home. Even after being pre-qualified, I suggest to my clients that they don't open new accounts and keep balances at or below what is reflected on the credit report used for pre-qualification.

Building a Better Credit Report

The Federal Trade Commission has a fantastic, in-depth, free report: "Building A Better Credit Report" which can be found at <http://www.consumer.ftc.gov/articles/pdf-0032-building-a-better-credit-report.pdf>

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