

Simple Tips to Boost Your Credit Score

By *Kathy Jo Pollack*
On *July 28, 2014*

Hopefully you have already checked your credit reports and are correcting any errors. (If you have not done this, read my previous article, [Start Your New Year Right By Checking Your Credit Reports](#)). Make sure you monitor and follow through on any disputes. That is a good start. With a tough economy, a good credit score is more important than ever as credit opportunities may be tighter.

Let's look at the **five factors of a credit score**:

1. Your **payment history** accounts for a large part of your score. In other words, how you pay your bills. On-time payments are crucial. Simply put, late payments take-off points, as do other negative items, while an on-time payment history increases your score.

2. The next biggest factor of your score is **how much you owe**. Watch those balances! Make sure there is a wide gap between your limit and balance. Carefully monitor each credit card statement to spot a lowered limit as this will decrease the gap which is generally not good for your score.

Tip: If a limit is lowered, contact the credit card issuer to rescind the decision to lower your limit. If that does not work, depending on the amount you owe, you may need to transfer some of your balance to other cards or to an installment loan. Scores prefer smaller balances on a number of cards as opposed to one large balance on a single card. Ideally, try to use no more than 30% of your limit, and using 10% or less is even better.

Tip: If you think you are in good shape just because you pay off your credit card balance in full every month, think again. Credit scores do not distinguish between a balance that you carry or pay off. The balance on your monthly statement is generally the one reported to the credit bureaus. If you have a high balance which you pay each month in full, consider asking the issuer to raise your limit or use more than one card. Another option is to make two payments each month to lower the reported balance. For this to work, you must make one payment before the statement closing date and the other before the due date.

Now, let's look at the lesser **three factors** which are:

3. **Length of credit history**. Scores look at your oldest account, and the longer the history, the better, as it shows a steady record of on-time payments and use.

Tip: Keep old accounts open and active by charging a small amount and paying them on time and in full. Closing accounts never helps your credit score.

4. The next factor is **new credit** which considers opening or even merely applying for credit. Applying for too much new credit in a short period may hurt. Only apply for and open new credit when you need it.

5. Lastly, the scoring model also looks at **types of credit**. There are two main types of credit: revolving and installment. A mix of both revolving and installment accounts may be healthier than having only revolving accounts.

Tip: Depending on your score and mix of accounts, you may want to consider an installment loan. If you do this, make certain that it will be reported to the credit bureaus.

To sum-up, actively and wisely use a mix of credit types, make on-time payments, and pay down balances to help boost your credit score.

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