



## *A real solution*

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### **Top 10 Tips to Strengthening Your Credit Score**

The *Guiding Principle* behind each of the following tips is to manage and use your credit wisely: pay your debts according to the terms you have signed and avoid excessive debt.

- Tip #10: Check your credit report at least annually for mistakes and inaccuracies. Go to [www.AnnualCreditReport.com](http://www.AnnualCreditReport.com) to print or download your free report for each of the three national credit reporting agencies. If you want your credit score as well, you will be required to pay for it. Checking your own credit report in this way will not harm your credit.
- Tip #9: Live within an established budget and replace poor spending habits with disciplined spending. Balance your checkbook regularly to avoid bouncing checks.
- Tip #8: Know your credit limit and stay away from it. “Maxing out” your credit cards can hurt your credit score.
- Tip #7: Stay in contact with the creditor when troubles arise with an account. Work in good faith to pay as agreed, or consider arranging a modified payment plan. Accounts in collections or charged off will negatively affect your score for at least 7 years. When you struggle making even minimum payments, contact a reputable credit counseling organization such as Debt Reduction Services.
- Tip #6: Avoid applying for a lot of new credit accounts within a short period, particularly if you have little or no credit history. See next tip.
- Tip #5: Don't be afraid of credit counseling. In 1998, FICO dropped credit counseling as a factor influencing the credit scoring model, in part because we've learned that individuals actually become less of a credit risk when they receive credit counseling (Michael Staten. Georgetown University. March 2002).
- Tip #4: Don't close accounts in good standing as a “quick fix.” Information from any account, whether closed or open, remains on your credit report for 7 years.
- Tip #3: Pay down the total balances owed on your credit accounts. Don't just transfer money from one card to another. Make it a goal to avoid purchasing anything on a credit card you won't pay off with the next credit card statement.
- Tip #2: Get current on your credit accounts. If you've missed or been late on payments, find a way to get caught up. It will take 6 months of on-time payments, but negative effects of late or missed payments decrease over time.
- Tip #1: Pay all of your bills on time and in full every month. If you have secure access to the Internet, consider paying your bills online to avoid mail delivery delays.

Disclaimer: Score modeling may vary from lender to lender. Because of the complicated nature of the statistical models and abundance of information on credit reports, these tips cannot be considered guarantees to improving your score.