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# How to Raise Your Credit Score 100 Points in 45 Days

by Edward Jamison, Esq.

**1. GET RID OF YOUR COLLECTION ACCOUNTS.**

Did you know that paying a collection account can actually reduce your score? Here's why: credit scoring software reviews credit reports for each account's date of last activity to determine the impact it will have on the overall credit score. When payment is made on a collection account, collection agencies update credit bureaus to reflect the account status as "Paid Collection". When this happens, the date of last activity becomes more recent. Since the guideline for credit scoring software is the date of last activity, recent payment on a collection account damages the credit score more severely. This method of credit scoring may seem unfair, but it is something that must be worked around when trying to maximize your score. How is it possible to pay a collection and maximize your score? The best way to handle this credit scoring dilemma is to contact the collection agency and explain that you are willing to pay off the collection account under the condition that the all reporting is withdrawn from credit bureaus. Request a letter from the collector that explicitly states their agreement to delete the account upon receipt/clearance of your payment. Although not all collection agencies will delete reporting, removing all references to a collection account completely will increase your score and is certainly worth the involved effort.

**2. GET RID OF YOUR PAST DUE ACCOUNTS.**

Within the delinquent accounts on your credit report, there is a column called "Past Due". Credit score software penalizes you for keeping accounts past due, so Past Dues destroy a credit score. If you see an amount in this column, pay the creditor the past due amount reported.

**3. GET RID OF YOUR CHARGE-OFFS AND LIENS.**

Charge-offs and liens do not affect your credit score when older than 24 months. Therefore, paying an older charge-off or a lien will neither help nor damage your credit score. Charge-offs and liens within the past 24 months severely damage your credit score. Paying the past due balance, in this case, is very important. In fact, if you have both charged-off accounts and collection accounts, but limited funds available, pay the past due balances first, then pay collection agencies that agree to remove all references to credit bureaus second.

**4. GET RID OF YOUR LATE PAYMENTS.**

Contact all creditors that report late payments on your credit and request a good faith adjustment that removes the late payments reported on your account. Be persistent if they refuse to remove the late payments at first, and remind them that you have been a good customer that would deeply appreciate their help. Since most creditors receive calls within a call center, if the representative refuses to make a courtesy adjustment on your account, call back and try again with someone else. Persistence and politeness pays off in this scenario. If you are frustrated, rude, and unclear with your request, you are making it very difficult for them to help you.

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**5. CHECK YOUR CREDIT LIMIT(S) AND EVENLY DISTRIBUTE THE BALANCES YOU ARE CARRYING.**

Make sure creditors report your credit limits to bureaus. When no limit is reported, credit scoring software scores the account as though your current balance is “maxed-out”. For example, if you know that you have a $10,000 limit on your credit card, make sure that the limit appears on the credit report. Otherwise, your score will be damaged as severely as if you were carrying a balance of the entire available credit. Credit scoring software likes to see you carry credit card balances as close to zero as possible. If it is difficult for you to pay down your balances, read the following guidelines to maximize your score as much as possible under the circumstances:

• There are different degrees that scoring software can impact your score when carrying credit card balances.

• Balances over 70% of your total credit limit on any card damages your score the most. The next level is 50% of your balance, then 30% of your balance.

• In order to maximize your score without having to pay down your balances, evenly distribute your credit card balances among all of your credit cards, rather than carry a large balance on one credit card. For example, if you are carrying a $9000 balance on a credit card with a $10000 limit, and you have two other credit cards with a $3000 and $5000 limit, transfer your balances so that you have a $1500 balance on the $3000 limit card, a $2500 balance on the $5000 limit card and a $5000 balance on the $10000 limit card. Evenly distributing your balances will maximize your score.

**6. DO NOT CLOSE YOUR CREDIT CARDS.**

Closing a credit card can hurt your credit score, since doing so effects your debt to available credit ratio. For example, if you owe a total credit card debt of $10,000 and your total credit available is $20,000, you are using 50% of your total credit. If you close a credit card with a $5,000 credit limit, you will reduce your credit available to $15,000 and change your ratio to using 66% of your credit. There are caveats to this rule: if the account was opened within the past two years or if you have over six credit cards. The magic number of credit card accounts to have in order to maximize your score is between 3 and 5 (although having more will not significantly damage your score). For example, if a card was opened within the past two years and you have over six credit cards, you may close that account. If you have more than six department store cards, close the newest accounts. Otherwise, do not close any at all.

**7. BECOME AN AUTHORIZED USER.**

If you have a short and limited credit history you can ask someone who is a primary account holder to add you to their account as a joint account holder or an authorized user. When added, the primary account holder’s credit card will appear on your credit report. Credit scoring software will treat the added account as though it is your account and you will benefit from the low balance

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and the long payment history for that account. It is important to remember that being an authorized user is helpful for your credit score only if (1) the person is carrying debt below 10% of the credit limit and (2) has had good payment history on the card for seven years or longer. The longer the history, the better. Being an authorized user is potentially detrimental to your credit score if, for example, the primary card holder carries a high balance on the card and has had it less than five years.

**8. KEEP YOUR OLD CREDIT CARDS ACTIVE.**

15% of your credit score is determined by the age of the credit file. Fair Isaac’s credit scoring software assumes people who have had credit for a longer time are at less risk of defaulting on payments. Therefore, even if your old credit cards have horrible interest rates, closing those cards will decrease the average length of time you’ve had credit. Use the old card at least once every six months to avoid the account rating to change to “Inactive”. Keeping the card active is as simple as pumping gas or purchasing groceries every few months, then paying the balance down. An inactive account is ignored by Fair Isaac’s credit scoring software, so you won’t get the benefit of the positive payment history and low balance that card may have. The one thing all credit reports with scores over 800 have in common is a credit card that is twenty years old or older. Hold onto those old cards- trust me! Preparing credit is a slow and time consuming process.

Full knowledge of your credit profile and how it represents you to creditors and credit bureaus is pivotal to full credit restoration success. Credit bureaus always advise individuals that they have a right to dispute their own credit files, but when the rights of the Credit Bureaus slow you down; you know where to ask for help.