

Working With Your Credit Score

When you see advertisement after advertisement on television of businesses who want you to find out your "free" credit score, that is a red flag that someone is looking to make some money off of you. The funny thing is they are not lying to you but at the same time, you are exactly right that those companies paying good money for television advertising are looking to make a buck off of you.

The truth is, you can actually find out what your credit report says about you. What they are telling you about that is true. Your credit report tells you your credit score which helps you understand how creditors see you which is important if you go to get a new loan. But your credit report also shows a detailed history of your past use of credit, currently open accounts and anyone who has checked your credit score in the last year.

This is important information for you because anyone can check your credit report anytime they want to. And if there are too many inquiries on your credit report, that itself can drive down your score. So if you find someone is checking your score too often, you can take action to put a stop to it.

But there are a couple things they are not telling you on those advertisements. One is that if you use their services, they will give you the credit report for free but not the credit score. They are going to have their hand out for that little tidbit of information. But the truth that those companies will not tell you is that you can get that score at least once a year absolutely free if you know how. In other words, those people hitting you up on television to check your credit score are relying on the fact that (1) you don't know how to check it yourself and (2) you are willing to give them money for something you can get for free if you know how.

The basic information you should know about credit reports is that there are three agencies that maintain credit reporting and they are named Equifax, Experian and Transunion. You can check on what each of these companies has in their file at any given time. In addition to a lot of detail about your credit history as we just discussed, your credit "health" will be represented in the form of a number of a "score". That score will run between 300 and 850. The higher your credit score, the better you will be received by credit organizations who are deciding whether to extend you a loan.

Once you have this information, you can take action to improve how you stand on your credit history. First of all, review the credit detail in depth. You may find accounts still open that you have not used for years. Close those accounts. If you have a credit account that is not being used, it is of not

value to you, it only runs down your credit score and there is always a danger someone will use it.

But the next step is to start being "credit smart" in how you use credit to help see that credit score go up over the next year. The steps to do that are...

§ Always pay your bills on time. Late payments are reported to the credit bureaus and it runs your score down.

§ Make more than the minimum payments. If you only pay the minimum on each credit card you owe, that will get noticed by the credit tracking software and make your credit score go down.

§ Cut down on the amount of times your credit score is checked. Excessive inquiries into your score indicate that you are looking at getting more credit and that hurts your score.

§ Close unneeded credit accounts.

§ Start closing some of your credit card accounts once you pay them off.

§ Don't take out any new accounts.

Don't let yourself get excited by the virtual nonstop advertising about your credit history. You do not need to know this information every day. But check it a couple times a year, no sooner than once every three months to keep tabs on what is going on with your credit history. It's the responsible thing to do and you can just change the channel on those noisy commercials too.

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