

Managing Your Credit

Is Your Credit Score Letting You Down?

(NAPSA)—Credit can be a positive component of any spending and saving plan, providing convenience and allowing you to avoid having to carry large amounts of cash to pay for your purchases. The trade-off is that you have to use credit wisely. If you don't pay back what you owe on time and in full, you can end up paying a lot more in interest and fees. The more you know about your own credit, the better off you will be.

Your Credit History

This is the record of how you've built and used credit in the past. A positive history of paying in full and on time and keeping your debt at a reasonable level will result in a stronger credit history. Potential lenders review your credit history by reading a summarized version of it called a credit report or by looking at your credit score, which translates your creditworthiness into a number—the higher the score, the better. For example, a FICO® credit score can be between 300 and 850.

Managing Your Credit Score

In general, the exact calculations for determining a credit score are proprietary to the companies that create them; however, five factors, and their relative weight in determining your score, are: payment history (35 percent), balances owed (30 percent), length of credit history (15 percent), mix of credit (10 percent) and number of inquiries (10 percent). Paying your bills on time and maintaining a low credit card balance in full is the best way to maintain a good credit score or to improve it. Additional strategies to boost your score include:

- Aim to keep the balance on your cards below 30 percent of your credit limit. The higher the balance



Your credit score can be a credit to you if you keep an eye on it.

you carry, the more creditors may be concerned that you won't be able to repay what you borrow.

- Try to cancel newest cards first when closing inactive accounts since how long you've been using credit comprises about 15 percent of your FICO® credit score.

- Apply for only those loans or credit cards you need. The number of times you request additional credit will be reflected on your credit history as inquiries. A high number of inquiries may give prospective creditors pause.

- Review your credit reports once a year (you have the right to one free report per year from each credit agency). Correct any errors or incomplete information with the agencies as well as your lender.

“The more you know about the factors and behaviors that impact your score, the more you'll be able to maintain a strong and healthy credit score,” said Loretta Abrams, head of Community Investment at HSBC North America.

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