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## Q: Can You Improve Your Score?

**A:** If you've made mistakes, get back on track as soon as possible, says Careen Foster, director of scoring product management at FICO. "The longer you wait, the longer it takes to improve your scores." In today's brave new world of tighter credit standards, you need at least a 700 to qualify for a card you once could have gotten with a 600, says Adam Jusko.

### GET THE REAL FREE

Check all three of your credit reports at annualcreditreport.com, the only site authorized by federal law. Don't be fooled by wacky commercials and computer ads for other "free" sites. You get one free report per bureau per year; pull a different one every four months to catch problems sooner.

### CHECK FOR MISTAKES

Are there accounts you don't recognize, names that aren't yours, addresses where you've never lived, an incorrect birth date or Social Security number, inaccurate reporting of delinquencies? Has anyone stolen your identity? Have the bureaus combined your information with that of someone with a similar name?

### REPORT ERRORS

Laura Curley, who runs a charitable foundation in

Chicago, was shopping with her husband, Dan, for an equity line of credit when they discovered that a disgruntled customer service rep had reported Dan as deceased on their mortgage file, a "fact" picked up by all three credit bureaus. "As a result," says Laura, "my credit scores were in the 780s. My husband's were zero. Official inquiries got the situation remedied."

Don't be fooled by some "free" credit report websites

One study found that 79 percent of all credit reports had mistakes; one in four contained errors serious enough to have a significant negative impact on scores. Report errors to the appropriate credit bureau. It has 30 days to investigate and respond.

### DON'T GET FLIPPED

Say you owe \$1,000 on a

revolving account and have a limit of \$5,000. The bank might mistakenly say you owe \$5,000 and have exceeded your limit of \$1,000 four times over. New York City consumer advocate Mathew Sheldon says his score had dropped to 620 before he realized one of the card companies was improperly reporting the numbers. He got it fixed, he says, and he's back up to 730. If this happens to you, write to the consumer reporting company and the creditor that provided the information, detailing the inaccuracy.

### TIME YOUR INQUIRIES

You don't actually have a "permanent" credit report. All you have is some numbers stored in a computer file that changes constantly as lenders send in updates. If a bank asks for your score the day before you pay your credit card bills, it will get a different number than it

would a few days later.

If you're in a hurry to get a loan and your report doesn't show recent transactions (paying off a balance, for example), ask your mortgage broker to get a "rapid rescore." This will ensure that the lender sees you at your best, but it costs about \$30 to \$90 per account. If you can wait a month, your report will update automatically.

**DIY** You don't need to pay "experts" to improve your score. You don't need to pay \$15.95 a month for credit monitoring services. And you don't need to pay "dispute mills" to argue against every black mark on your credit report. "These companies don't tell you that a negative factor might disappear for a while because the lender didn't respond to a letter in 30 days," says Candy Marshall of Suite Solutions, in Los Alamitos, California, which sells credit reports to bankruptcy lawyers. "But if it really belongs on your report, it will just reappear in a month, when the lender reports to the credit bureau again."

Your best strategy: Improve your financial habits so your score goes up and stays up. ■

## WHAT'S YOUR SCORE?

For a quick estimate of how lenders are likely to rate your credit, *Reader's Digest* asked FICO to put together this quiz. Remember, your score will be based on information you provide, so be honest! You can learn more about FICO scores and credit reports at [myfico.com](http://myfico.com).

**1. How long ago did you open your first credit account (either credit card or loan)?**

- Less than six months ago (1 point)
- Between six months and five years ago (5 points)
- Five to 20 years ago (8 points)
- More than 20 years ago (10 points)

**2. How many loans or credit cards have you applied for in the past year?**

- Zero to two (10 points)
- Three to six (5 points)
- Seven or more (1 point)

**3. What is your total credit card balance?**

- I have no credit cards (5 points)
- \$0 to \$999 (10 points)
- \$1,000 to \$4,999 (6 points)
- \$5,000 to \$19,999 (3 points)
- \$20,000+ (1 point)

**4. When did you last miss a loan or credit card payment?**

- I have never missed a payment (10 points)
- Within the past year (1 point)
- One to four years ago (3 points)
- More than 4 years ago (5 points)

**5. Have you gone through any of the following in the past ten years: bankruptcy, tax lien, foreclosure, repossession, or having an account referred to a collection agency?**

- Yes (1 point)
- No (10 points)

### SCORING

**35 to 50: GOOD**

Congratulations! You shouldn't have a problem qualifying for a loan at the most favorable rates and terms.

**20 to 34: FAIR**

You have a good chance of obtaining loans, but you'll pay higher interest rates and maybe even make higher down payments than most consumers.

**5 to 19: POOR**

You will probably qualify for some credit cards and installment loans—but at very high interest rates. You may have trouble obtaining mortgage and auto loans.

Your score: