



ABA News to Use

Keeping banking's frontline personnel informed

Tips to Improve Your Credit Score

The first step to acquiring a mortgage is ensuring that you have a good credit history, which helps secure a lower interest rate and lower monthly payments. A person's credit score is a key indicator, and more is better than less.

A high credit score indicates strong creditworthiness, which qualifies a borrower for better interest rates on loans -- whether they are mortgage loans or credit card loans. Fortunately, most Americans have good credit. However, to improve your credit score, the American Bankers Association advises that consumers:

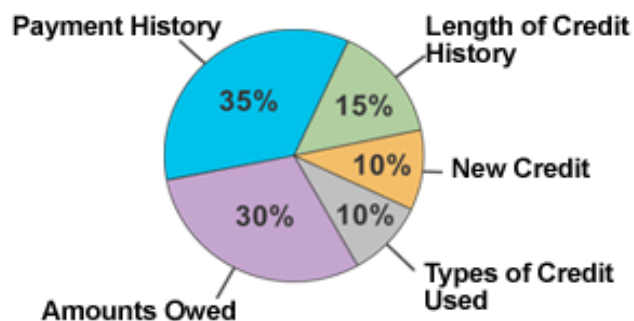
-- Pay bills on time. Pay at least the minimum due, but paying more is even better. Payment history makes up 35 percent of a person's credit score, according to www.myfico.com. The longer you pay your bills on time the better your score.

-- Watch for warning signs of credit trouble. If you pay only the minimum balance, pay late or use cash-advances to pay daily living expenses, you might be in the credit "danger zone." For more information on debt management, contact the National Foundation for Consumer Credit at www.nfcc.org.

-- Evaluate your credit report annually. Your credit report illustrates your credit performance, and it needs to be accurate so that you can apply for other loans -- such as a mortgage. Everyone is entitled to receive a free copy of their credit report each year, but you must go through the Federal Trade Commission's Web site at www.annualcreditreport.com, or call 1-877-322-8228.

-- Don't skim, read the fine print. A loan or credit card application is a contract, so read it thoroughly before signing. Be aware of introductory rates that expire as well as the length of monthly billing cycles.

-- Ask questions. Remember that you are the customer and your lender is providing a service. If you don't understand something, ask. It's equally important to ask questions if you're turned down for a loan. Find out why, and ask the lender how you can improve your chances for approval in the future.



Source: www.myfico.com

-- Set a budget and stick to it. Developing a financial plan will help you keep your finances in order. Don't spend more than you can afford, and don't reach your credit limit or "max out" your cards.

-- By all means, comparison shop. Don't jump at the first appealing offer. Compare rates and fees offered through mail solicitation, on the Internet or at your local bank.

For information about ABA News to Use, or to suggest subjects for future articles, please contact ABA's [Brian Nixon](#).