



Must Know to Have a 750 FICO Credit Score...

First, know and understand the basics of credit scoring...

You need to know that the two most important factors in your score are:

- **How much of your available credit you actually use and,**
- **Whether you pay your bills on time.**

It's essential that you pay all your bills on time, all the time. Set up automatic payments or reminder systems so that you're never, ever late. All it takes is a single missed payment to trash your credit score -- and it can take seven years for the effects to completely disappear.

You don't want to max out any of your credit cards, or even get close to your credit limit! Keeping your credit use to less than 30% of your credit limits will help you get the best possible credit score -- and should help keep you from getting over your head in debt, as well.

Finally, know that the best way to have a high credit score is to carry a zero or very low balance on your revolving type debt (**credit cards!**), never more than 30% of your limit.

But, to further provide you with very valuable tools and knowledge, just what is a credit score? To calculate a score, Fair Isaac uses 22 pieces of data collected from the three major credit bureaus, [Equifax](#), [Experian](#) and [TransUnion](#)). The lowest possible score is 300, while the highest is 850.

The final number is a composite of individual ratings in five categories:

- Payment history (35% of the rating)
- Length of credit history (15%)
- New credit (10%)
- **Types of credit used (10%)**
- **Revolving Type Debt (30%)**

Income is not a factor. "A person can have a very high income and never pay their bills," explained Craig Watts, public affairs manager for Fair Isaac.

Fair Isaac calculates a FICO score based on the data provided by each credit bureau. It's not uncommon to see up to a 50-point differential between ratings. The reason: Bureaus collect data at different times of the month, and one bureau may have inaccurate information.



The higher the score, the lower the risk you are to a creditor -- and the less interest you'll pay. Only 13% of the population has FICO scores of 800 or above; the median is 723. There is no single cut-off for loans, however, and cut-offs employed vary from industry to industry. Generally, borrowers with scores above 740 receive the best rates.

To see how a change in your FICO score affects how much you'll pay, consider this example. On a \$350,000, 30-year fixed mortgage, you'll pay 6.24% in interest and \$2,153 a month if you score between 720 and 850. If your score drops to between 620 and 674, your interest rate jumps to 8.05%, and your monthly cost rises to \$2,581. You will pay an additional \$154,131 over the life of the loan, according to a [calculator](#) on myfico.com.

Keep an eye on your score

Want a peek at your FICO scores? Many people think they can get their FICO scores from their credit reports. They can't -- but it's still a good place to start. The Fair and Accurate Credit Transactions Act of 2003 entitles you to a free credit report from each major credit bureau once a year. I ordered my reports by telephone from [annualcreditreport.com](#) and received them all within 10 days. It's smart to request a report from a different agency every four months so you stagger the reports over a year. That way, if there's bad information in one, you'll spot it sooner.

When you request a free credit report, each bureau will offer to calculate a credit score for \$6.95. Experian and TransUnion use proprietary formulas; Equifax uses FICO scores. Pass up these offers, because the information is not as comprehensive as you'll get elsewhere and lenders are less likely to look at these scores.

For the most detailed explanations on your FICO scores, go to the credit education area at [myfico.com](#). A score from one credit bureau costs \$14.95, all three are \$44.85. It's useful to buy all three because large lenders either average the scores or take the middle one. You'll want to check your FICO scores once a year or several months before you apply for a loan.

The negative factors that bring your score down remain on your credit report for seven years and can adversely affect your FICO score. But lenders typically look back only in the past two years when they make credit decisions. One 30-day late payment shouldn't make a difference. Lenders look for trends.



I paid for three scores and anxiously waited while the computer calculated them on the spot. Within seconds, I was relieved (not to mention a bit proud) when 771, 751, and 738 popped up on my screen. Still, I wondered why I wasn't in the 800-plus range. To find out, I reviewed the various strategies credit experts recommend to raise FICO scores:

- **Pay all bills on time.** This is probably the most important factor in the FICO calculation. If you're consistently 30 days overdue, your score can drop by as much as 100 points, depending on how long the account has been open and how long ago the late payment took place. To avoid late payments, consider automating your bill-paying process. I got high marks in this arena.

- **Think twice before closing accounts.** Lenders are looking for consumers with long credit histories that have been managed well. But because of the increase in identity theft, you don't want too many open accounts that you don't use. "Be judicious about the accounts you have," says Norm Magnuson, public affairs officer for the Consumer Data Industry Association. In my effort to consolidate our finances, I had canceled an American Express account that I'd had for 20 years to become an authorized user on my husband's account. While I benefit from his 20-year credit history on that account, it was a mistake to eliminate my own. I have a few cards in my name only, but the history isn't as long.

- **Minimize credit-card applications.** Bingo. That was cited as a problem on all three of my FICO scores. On average, a consumer has a total of 11 credit obligations, of which seven are credit cards and four are loans. I had 21, of which six had balances. Each time you apply for credit, a lender requests to view your report. This inquiry is noted and can reduce your overall score. Don't apply for unnecessary credit. If you're in the market for a big-ticket item that requires a loan, avoid credit applications for 18 months prior to your purchase.

- **Keep balances low.** The FICO score evaluates your total balances in relation to your available credit. This is known as credit utilization. Credit cards that are "maxed out" can lower your score. Try to spend only 30% of your credit limit. If you have a \$10,000 limit on one card, keep the balance near \$3,000. My credit utilization was too high. It helps that I pay off my balances every month, but it is better to spread the spending.

While my FICO reports said that "most lenders would consider consumers in this score range as extremely low risk," the competitive spirit in me wants to get over the 800 mark. To that end, I recently refrained from signing up for a Target Stores credit card to get \$10 off \$100 purchase.