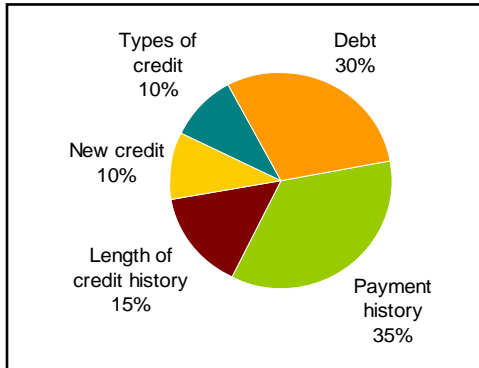


YOUR CREDIT SCORE



Five components comprise a credit score (often called a FICO score):

35% - Payment History
 15% - Length of credit history
 10% - New credit
 10% - Types of credit
 30% - Debt

Income is not a factor. A person can have a very high income and never pay their bills. Strategies for maintaining a strong FICO score:

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. Don't cancel an old credit card for a newer with a better rate. Instead, cut off the first card and don't use it.

Minimize credit-card applications. 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, and if you're in the market for a big-ticket item that requires a loan (house or car), 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.

Learn more:

www.annualcreditreport.com

www.myfico.com

www.credit.com