

# How to Increase a Credit Score Quickly

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# What is a Credit Score?

- ◆ 3-digit numbers used by lenders to evaluate the risk associated with lending money.
- ◆ Scores range from 300-850
- ◆ What is a good score?
  - Above 720 = excellent
  - 680 = Good
  - 620 = Fair
  - Below 620 = Poor

# Where do the scores come from?

- ◆ 3 Credit Bureaus / 3 scores
- ◆ Equifax, Experian, Trans Union
- ◆ All Bureaus use the FICO scoring model
- ◆ Scores vary because of the data getting reported to that specific bureau.
- ◆ Approximately 51% of consumers have a score below a 720

# The Cost of a Low Score

- ◆ Home Financing
- ◆ A 30 year fixed loan with a loan amount of \$350000
- ◆ 5 year period

SCORE	<600	<620	720+
Monthly payment	\$2329	\$2155	\$2098
Total interest paid	\$119,174	\$105,981	\$101,596

# Five Factors of Credit Scoring

- ◆ Payment History – 35%
  - Delinquent payments
  - Collections
  - Charge offs
  - Repo's
  - Judgments
  - Bankruptcies
  - Tax liens
  - Foreclosures

# Five Factors of Credit Scoring

- ◆ Amounts Owed – 30%
  - Credit cards
  - Mortgage loans
  - Auto loans
  - HELOC's
  - Installment loans
- ◆ Length of History – 15%
  - Time account opened
  - Time account active

# Five Factors of Credit Scoring

- ◆ Types of Credit Used – 10%
  - A mortgage loan
  - An auto loan
  - 2-3 major credit cards
  
- ◆ New Credit – 10%
  - Soft inquiries
  - Hard inquiries

# Amounts Owed – 30%

## What to look for...

- ◆ Amounts Owed – 30%
  - Credit card balances
    - ◆ Are they correct?
    - ◆ Ratio of unpaid balance to credit limit on the card
    - ◆ Over the limit on your credit card
  - Installment account balances
    - ◆ Auto's report every 90+ days (get updated)
    - ◆ Mortgages that have been transferred but are reported incorrectly
  - Past due amounts
    - ◆ Bring current
  - AMEX high credit balance can make you look maxed out
  - HELOC being reported as revolving, change to HELOC
  - Deletion of incorrect items, not just updated

# Payment History – 35%

## What to look for...

- ◆ Positive tradelines reporting within the last 6-12 months
  - Get a secured credit card immediately. It will report in 30 days.
  - Become an authorized user (add as a signature) on someone else's credit card account.
  - Make sure good tradelines reporting to all 3 bureaus
  - Recent 30 day late payments – if not 100% accurate, dispute immediately
  - Derogatory accounts that are over 7 years old
  - Bankruptcy; if debts supposed to be included update credit report so that they are included
  - Past due amounts – pay past due immediately

# Length of History– 15%

## What to look for...

- ◆ Make sure (older) positive tradelines are active
- ◆ New credit users can add themselves to another person's credit card as an authorized user to generate a score. (grandma's Visa card)
- ◆ Complete applications consistently, too many addresses, or AKA's can cost points

# Inquiries – 10%

## What to look for...

- ◆ Unauthorized (if you didn't make the inquiry, dispute it, and get removed)
- ◆ No more inquiries – wait to get that new sofa or car
  - Mix of Credit – 10%
- ◆ Must have a credit card
- ◆ Types of credit does matter; bank card better than store charge. Secured credit card.

# Top Myths About Credit

- ◆ Payment history is the only factor to get points quick (see the five factors)
- ◆ Paying off and closing out a credit card will increase your score
  - Available credit does not hurt your score
- ◆ Paying off collections and judgments will increase score immediately
  - If they are paid then have the bureaus update that they are paid, but if not, see if it effects your ability to get a mortgage loan
- ◆ Having too much available hurts
  - The more you have available that you are not using reflects better on your credit score

# Some Common FAQ's

- ◆ My credit report only shows two scores
  - Could be an identification issue
  - Not enough data reporting to that bureau
- ◆ What's the best way to quickly bring up my score?
  - A secured credit card
- ◆ How quickly can a credit score change after moving money from one credit card to others to keep the credit limit ratio under 30%
  - Almost immediately
- ◆ If I have 6-10 cards I'm not using should I close them.
  - No, available unused credit looks good

# Top Do's and Don'ts of Disputing

- ◆ Only dispute to the bureaus with the top two scores. You want the bottom score to stay the same.
- ◆ Certified mail only
- ◆ Only dispute to the bureaus that are reporting the derogatory information
- ◆ Get deletion letters for Collections from creditor, you want deleted off the report altogether, not just updated
- ◆ Don't pay off installments loan in advance to lower total debt amount
- ◆ Don't close out credit cards unless for identity theft reasons

# Web Site Resources

- ◆ Federal Trade Commission Site on Credit
  - [www.ftc.gov/credit](http://www.ftc.gov/credit)
- ◆ Consumer Federation of America
  - [www.consumerfed.org](http://www.consumerfed.org)
- ◆ My FICO
  - [www.myfico.com](http://www.myfico.com)
- ◆ Privacy Guard
  - [www.privacyguard.com](http://www.privacyguard.com)
- ◆ Orchard Bank
  - Secured credit card
  - [www.orchardbank.com](http://www.orchardbank.com)
- ◆ Credit Resource Corporation
  - [www.thecrcgroup.com](http://www.thecrcgroup.com)
- ◆ From loantoloan
  - [www.fromloantoloan.com](http://www.fromloantoloan.com)