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## How to Pump Up Your Credit Score



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By VICKIE ELMER  
Published: May 17, 2012

ONE prescription for avoiding another real estate bubble is that banks tighten up [mortgage](#) requirements. Now, a [new Federal Reserve report](#) indicates that lenders have indeed been doing just that.

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A majority of banks are less likely to offer [loans](#) to people with a FICO credit score of 620 and a 10 percent down payment than they were in 2006, according to the report. Lenders were also less likely to do so even for those with a score of 720.

Such stricter standards have drawn the attention of Ben S. Bernanke, the chairman of the Federal Reserve, who last week told a bankers group that “current standards may be limiting or preventing lending to many creditworthy borrowers.”

For those with lower [credit scores](#), the math is stark: A borrower with a credit score of 720 can expect a rate of 3.70 percent on a 30-year, \$300,000 fixed-rate mortgage, according to [myfico.com](#), while someone with a score of 620 to 639 can expect a 5.07 percent rate — or an extra \$242 per monthly payment.

“If you don’t have good credit, you’re not going to get that crazy low rate,” said Deborah MacKenzie, the director of counseling at the [Housing Development Fund](#), a nonprofit group in Stamford, Conn. But she and other experts said there were tactics that consumers could use to raise their scores.

First, though, it is worth noting that median credit scores are rising, as people reduce debt and spend less in tight economic times, said Joanne Gaskin, the director of product management and global scoring at FICO, the provider of one of the most popular credit

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scores used by lenders. Some 18 percent of Americans now have scores of 800 to 850, while 15 percent are below 550, according to FICO data. Through “good behavior,” Ms. Gaskin said, you could raise your credit score by as much as 100 points in a year.

Often lenders will review your scores from the three big credit agencies, and they use the middle number to evaluate you. “That becomes your risk number,” said Tracy Becker, the founder of [North Shore Advisory](#) in Tarrytown, N.Y., a national credit score specialist.

Start by obtaining your three credit reports (available free once a year at [AnnualCreditReport.com](#), or call 1-877-322-8228), and study them carefully for errors or omissions. If you think your score labels you as a higher risk, Ms. MacKenzie suggests signing up for a first-time homeowners class through a counseling agency certified by the federal [Department of Housing and Urban Development](#).

According to FICO, the two biggest factors in your credit score are your payment history, which accounts for 35 percent of the score, and the amounts owed, accounting for 30 percent.

Knowing that, Ms. Gaskin said, an effective way to raise your score is to reduce your balances on credit cards. She notes, however, that if an account is in collection, it is too late to improve your credit score by paying it off. The notation that an account is in collection is what lowers the score, she said, so consumers may get more mileage by paying down active credit-card balances and other debts first.

Though mistakes and bankruptcies may stay on your credit report for seven years, lenders will generally be more likely to overlook late payments that happened two or more years ago than more recent ones, Ms. MacKenzie said. “A late payment that occurs this month when you’re applying for a mortgage is deadly,” she said.

Another way to bolster your credit is by asking creditors with whom you have a good track record to report to a credit agency, Ms. Gaskin said. That could include a landlord or a utility.

Improving your credit could take three to four months, or it could take as long as 18 months. “It isn’t an easy fix,” said Carol Yopp, a program manager for the [Long Island Housing Partnership](#) and a former mortgage underwriter. “Don’t expect it to happen overnight.”

A version of this article appeared in print on May 20, 2012, on page RE9 of the New York edition with the headline: The Magic Number.

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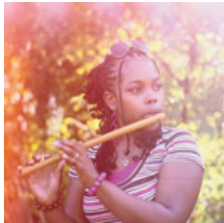
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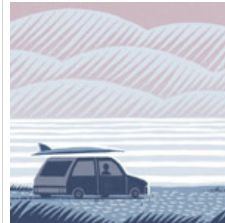
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