



Credit Score Need a Boost?

The Motley Fool

By Dayana Yochim

Dear Dayana,

I had property and recently sold it. I thought after doing so my credit score would get a real boost, but it really didn't move. I made some money from the sale and would like to increase my credit score by taking out a secured loan with some of the profit that is currently sitting in the bank. My idea is to take out such a loan and then repay it right after the lending institution reports it to the credit bureau(s). Do you think this is sound?

— Need a Boost

Dear Booster,

Are you planning to enter a loan situation in the near future, where your credit record will be scrutinized? If so, there may be a better way to improve your credit score.

I rarely recommend that Fools take out a loan or spend any money to improve their score, even if they are going to pay it back right away. The only time it really makes sense is if someone has such a thin credit file that there are no entries to go on.

Your first stop for your credit makeover is to double-check everyone's work. You'd be surprised how much a simple cleanup can improve the looks of your file. According to **statistics**, anywhere from 30% to 80% of credit reports contain blunders. The gaffes can be anything from errors of omission (not reporting a current line of credit) to out-of-date information (saying you still live at an old address) to outright inaccuracies (claiming you have a loan for which you never applied). The key is to make sure there's no real reason for a lender to snub your advances.

Start at **annualcreditreport.com** — everyone in the nation is entitled to a free credit report each year from the three major reporting agencies.

Take the time to beautify your credit file by making sure the details it contains are accurate. That includes checking to see if good notations (such as current accounts in good standing) are being reported to all three credit reporting agencies — Equifax (**NYSE: EFX**), Experian, and TransUnion. Catching and fixing the most common boo-boos doesn't have to be complicated. (Here are **some pointers**.)

The problem with the scoring system, however, is that often it is incomplete. For example, many lenders do not report credit limits because they don't want competitors poaching good customers. However, credit limits can help boost a person's score, because they show a customer's



creditworthiness. You can't force a lender to report this, but you can at least ask. There's also a lot that you'd assume the credit reporting bureaus would know about you. Your income, for example, isn't reported. The only time it does appear on the document is when you or your lender adds it — and lenders rarely do. (Here's a quick **credit report anatomy lesson**.) Therefore, income becomes an unreliable (and possibly out-of-date) data point.

The sale of your house probably didn't move your credit score because the only notation that event generates deals with how mortgage payment was satisfied. The sale price (and your salary, for that matter) has no bearing on your credit score.

In more comprehensive reports, given to corporate customers, such financial moves are weighed differently. But that's not the credit report and score that you see. Lenders and insurance companies rely on different models, explained in more detail in **this story**.

In the end, the key to improved credit isn't sexy. The passage of time and the responsible use of credit during those years are your best bets for building your score.

More credit tips:

Credit Scores Age Like Vintage Bordeaux

Six Tips for a Clean Credit Record

The Real Impact of Late Payments

Beauty Secrets of Credit Score Stars

What's a "Good" FICO Score?

Dayana Yochim owns none of the companies mentioned in this article in her portfolio. If you want the real dirt, she and a handful of her Foolish colleagues recently 'fessed up to **their biggest financial blunders of '05**.

This feature may not be reproduced or distributed electronically, in print or otherwise without the written permission of uclick and Universal Press Syndicate