

## **CREDIT REPORT: 5 VITAL FACTORS THAT INCREASE YOUR CREDIT RATING**



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September 2010

Most people worry about their credit report and want to ensure that they have the best possible score. Unfortunately, most people are not very sure how to reach this goal. The general trend is that you should live within your means, of course; but there are a few things that you could do to add to your overall points. Here are 5 such tips that could work wonders for your credit score.

**1. Mortgage loans.** Credit bureaus accord higher credit to people who have at least one mortgage, since statistics have shown that people with mortgages show enhanced stability and financial discipline. Therefore, when a mortgage is listed on a credit report, that report would yield a higher score than one which does not have one.

**2. Take loans from banks.** Avoid as much as possible, taking loans from financial institutions. Instead, go to banks or credit unions rather than finance companies. If there are no banks in your vicinity, apply online. Credit bureaus classify financial institutions as ‘last resort lenders’ and therefore having such a loan reflects poorly in regard to your credit score. On the other hand, loans from banks/ credit unions show that you are indeed credit-worthy, which reflect positively on your credit report and yield a higher score.

**3. Say ‘no’ to credit cards.** Credit cards serve various purposes most notably they have proven to be valuable tools on the internet. On the Internet credit cards, serve as proof of identity

and age, as well as a method of payment for purchases. Therefore, you might argue that you need one or two credit cards for such reasons. Limit is key when it comes to credit cards.

Have one, two or maximum of three credit cards, if you are eligible and want them. However, ensure that you do not use more than one third of the credit it offers; and that you pay the bills in full when presented. You could count credit cards among your worst possible enemies when it comes to credit score. Contrary to common belief, more credit cards do not increase your score each card actually decreases it. The logic behind this is that a person who has too many credit cards, is unable to manage their finances (especially credit) well.

**4. Get a Car loan.** Believe it or not; having a car loan actually enhances your credit score. Of course, that is only if you are paying on time and strictly make the payment deadlines. As with a mortgage, credit bureaus feel that people who avail of car loans tend to be organized and financially focused.

**5. Savings.** If there is something that scores 100% with credit bureaus, it is savings. You may have everything you wanted, but if you do not have savings, you are leaving yourself open to some rough weather financially. No matter how much you are earning, make it a non-negotiable point to save at least 20-25% for your “rainy days.” Savings can score high points with banks (for credit/ loan and mortgages).

As you can see from the above, you can improve your credit score easily – provided you understand the manner in which credit bureaus’ view the way you manage your finances.

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