

# OPRAH'S DEBT DIET

## Raising Your Credit Score

Your credit score is a really powerful piece of information. And because what it really is, for lack of a better description, is a snapshot of your borrowing and bill-paying behavior over the previous 24 months, as time goes by you have the power to change it for the better. Here's how:

### **35% of your score is based on how well you pay your bills.**

**How to boost your score:** It sounds like a no-brainer, but start paying on time. If you have late payments, the amount your score will suffer depends on how late and how frequent your delinquencies are. If you have one 30- or 60-day late payment it's a lot less damaging than 15 late payments during the last 15 years. It also matters how recently these episodes occurred. If it was a single incident five months ago it still counts. If it was a single incident five years ago, it no longer matters.

### **30% of your score is a measure of how much credit you have available to you and how much of that credit you're using.**

**How to boost your score:** You're in the best shape if you're using 20 - 30% of the credit available to you. However, the way to get to that level is not by canceling and cutting up all your credit cards. In fact, that will send your score in the wrong direction because it reduces your available credit (and sends the percentage you're using higher). Instead, focus on paying down debt, paying particular attention to the individual cards that are most maxxed out.

### **10% is based on your search for new credit. How recently have you opened (or inquired about opening) new accounts?**

**How to boost your score:** Stop applying for credit. That means, when you hit the mall, don't accept every offer for instant credit even if it means you're going to get 10% off. It doesn't mean, by the way, that you shouldn't shop around when you're looking for a mortgage or a car loan. All inquiries into your credit file for those purposes during a 15-day period are considered one inquiry.

### **10% is the composition of your file. What percentage of your file is bankcard debt and what percentage is installment debt?**

**How to boost your score:** In the world of credit scoring, balance is important. It's better to have a ratio of 60% to 70% bank card debt to 30 - 40% installment debt than to have too much of one or the other. If your ratios are out of whack, you can use these guidelines to help you pay back one lender or another. Don't obsess over this component. It's the hardest element to control and represents a relatively small portion of your score.

### **15% is a measure of the length of your credit relationships. How long have you had the cards in your wallet?**

**How to boost your score:** If and when you go to cancel your credit cards, try not to cancel the ones you've had the longest. It's good to have at least one card in your wallet that's more than two years old. Once you've had a card for 15 to 20 years, it won't send your score any higher.

*Please note: This is general advice. You should consult with your own financial advisor before making any major financial decisions, including investments or changes to your portfolio. Harpo is not responsible for any losses, damages or claims that may result from your financial decisions.*