Five ways to raise your credit score:

Know your credit score - get a quick estimate
The first step to boosting your credit score is to understand how it is calculated. You must understand as a consumer that you have a credit utilization ratio - the total amount of revolving credit you use in a month, compared with the amount of available credit you have - this is a major factor in calculating your score. How much you owe is 30% of your credit score, and the utilization ratio is large part of it. This calculation is made on the statement date of a credit account not the due date. Even if you pay your balance in full each month a credit account issuer may report a balance. This can lower your credit score.

What makes up a credit score?

35% = Payment history
30% = Available credit on revolving accounts (capacity)
15% = Length of credit
10% = Accumulation of debt
10% = Mix of credit

Pay Bills before the statement date
Typically the balance as of your last statement date is the balance that will be reported to the credit bureaus. If you pay most of the balance before the statement date you can lower your utilization rate. And that can lead to a higher credit score. This is a general rule but some creditors don't use your balance on your statement date when they report to the bureaus, they may use another day and report your balance on that date instead. Call your lender to ask when the balance gets reported. At S2SCFCU we report balances of our consumer loans on the first business day of each month.

Make multiple payments
Another way to lower the balance on your statement date is to make periodic payments throughout the month. As an example if you use a credit card throughout the week for everyday purchases and pay it off every Friday you'll cut the amount of credit you're using at any one time. Know your creditors policy on handling multiple monthly payments.

Ask for a 'goodwill' deletion
If you consistently pay your bills on time but have one or two late payments ask your creditor for a 'goodwill' deletion. Essentially you are asking your creditor to cut you some slack. As for whom to ask, begin with customer service, but you may have to go up the ladder. Make your request as soon after the late payment as you can. "The sooner the better" applies here.

Pay for removal
If you have an account that has gone into collection, sometimes a creditor will agree to remove the debt from your credit report if you agree to pay it off. Before you agree to or pay anything you need to get the arrangement in writing. Get a letter on company letterhead that clearly states that the collection agency will remove the debt from from all three credit-reporting bureaus.

Seven steps to clean up your credit score:

Your credit history is the foundation of your financial stability. The information in your credit report is what scoring companies like FICO use to generate your credit scores, which help determine how much you pay for a loan - or if you can get one - to your insurance rates.

If you only pay attention to your credit report when you go to make a big purchase like a home or a car can backfire on you. Often time’s inaccurate information is on your credit report and it takes time and effort to get the inaccuracies corrected. If you are in a hurry for the purchase or if the offer has a "limited-time offer" than not being aware of what's on your credit report can make you possibly lose the deal. It is important to go over your credit report well ahead of a big purchase so there are no surprises when it comes to securing the purchase.

Order a copy of your report annually
Checking up on your credit report periodically will allow you to catch and fix any problems right away. If you have never requested a copy of your credit report figuring out where to begin can be daunting. Federal law entitles you to a free copy of your credit report once every 12 months from each of the three major credit-reporting agencies: Equifax, TransUnion and Experian. You can request a copy from all three bureaus at AnnualCreditReport.com.

The first time you request a copy of your credit report order all three reports at one time. After the first free annual credit report it is a great idea to order your credit report form each individual company three months apart so you space them out over a year’s time. This allows you to check your credit report every three months and deal with inaccuracies in a more timely fashion.
It is good to know that if you are turned down for a job or credit, or if you don't get the best interest rate available, you also have the legal right to see your credit reports at no charge. The paperwork that you receive notifying you of the credit decision will include a number for you to call.

Start with the basic information that identifies you
The most important information on your credit report includes your name, alias names, address and your social security number. Small discrepancies, such as an account that list you by a nickname instead of your given name will not affect your score, however if your social security number is incorrect you need to straighten that out immediately.
After identifying all your basic information is correct look at the accounts listed and make sure they are all yours. Many hospitals and retail stores have a different name for their financing companies or medical billing company so this may make it harder to identify the creditor.

Look over your report for discrepancies
If the you see an account that you don't recognize call it to the credit bureau's attention. Find out what is going on. If negative information like a collection account that you thinks doesn't belong on the report it could be someone else's account that got onto the report by mistake, or it may be something you forgot about.

Another red flag is when you see an account with a much higher balance than you would normally carry. Items such as this often indicate a case of mistaken identity or identity theft; these are problems to address immediately.

Negative information listed on a credit report should only remain for seven years and Chapter 7 bankruptcies should only remain for ten years. Unfortunately negative information doesn't always automatically fall off the consumer's report at the seven year mark. It may take a little effort on the consumer's part to get the information removed.

Watch out for phantom money

Often times a creditor will only attempt to collect on a delinquent account for a specific period of time and then sell the account to a collection agency after their attempts to collect have failed. The credit balance should drop to zero at the original creditor after the account has been sold. The new account established by the collection agency that bought the account should then list the balance. Often times the original issuer of credit won't remove the balance from its records and it will appear that the consumer has two outstanding debts. If the account is bought and sold several times the problem can multiply.

Another way that phantom money shows up on a credit report is when an account has a line of overdraft protection. Even if the account is closed often times the overdraft line of credit will remain on a consumer's report.

Dispute any mistakes

If you find a major mistake, order your credit report from all three bureaus. When you do this it will allow you to see if the problem is limited to one report or all three. Then determine if the dispute needs to be taken up with the bureau or the lender.

If there is a mistaken identity issue, such as someone else's information on your report or accounts that are unfamiliar to you then contact the bureau. All three bureaus have online dispute forms which is much faster than trying to resolve the issue through the mail.
Because the bureau has a specific process for solving disputes it is easier to take the issue up with the bureau than the creditor. The bureau follows the same process for each dispute where a creditor has it's own set of rules and processes for solving problems.
In the case of negative information showing up beyond seven years or a report of an outstanding balance that has been paid off try contacting the lender directly.

Follow up

Just filing a dispute doesn't always make the issue go away or become resolved. Following up on a dispute resolution is important. This is especially true with the older items. The creditor may have merged, been sold or even just gone out of business, which makes documenting everything important. Make sure to keep good notes. List names and dates of people you spoke to at credit bureaus and lenders. Always ask a date for when the corrective action will be taken and be sure to follow up. Check your credit report to see if the action has been taken. The three credit bureaus communicate with each other electronically, which means that corrective action on one report should also show up on the other bureaus report too.

What not to worry about

There are a couple of items that appear to be alarming on your report that really aren't a big deal. Closed accounts in good standing do not need to be taken off your report. For that matter, leaving them on your report can help.

Many people believe that credit inquiries against your report are damaging. A "hard" inquiry has a very small impact on your credit score. The inquiry stays on the report for only two years and has the most impact within six months. A "hard" inquiry will appear if you apply for a loan or a credit card. It can also crop up when you enter into a service contract like a cellphone or cable-tv plan.
What is listed in your report will be as important to a lender as your credit score is. It is the information listed in the report that determines your credit score that will tell the lender the level of risk they will take in extending credit to you. It is important to make sure the information is accurate and up to date.

These 3 big companies control your financial future. Understanding how they work will help you manage your credit rating.

Consumers rely on Experian, Equifax and Transunion to compile their credit history. Here are some tips to understanding how these three credit bureau companies report:

Credit Bureaus began in the late 1800s when local merchants started sharing information to determine whether a loan was likely to be paid back. They began sharing information in their local region about borrowers.

An example, Equifax which was started in 1899 by two brothers Cator and Guy Woolford. These brothers compiled a list of credit customer's buying habits for the local retail grocery association. In time the Woolford brothers and others who had started similar services started sharing information and started selling the compiled information. Once technology began making it easier to share information the smaller companies were merged into bigger companies making the big three credit reporting agencies become the leaders in the industry.

Besides the big three bureaus there are other companies out there that specialize in specific information that creditors may be looking for. However with the ever-increasing amount of information and the complexity of the information about people's financial habits have primarily kept the number of bureaus to limited to the current big three.

The model of how the big three report credit and the vast database they have created would be very hard to replicate. It would be difficult for a new company to build their database and be able to sell the information that these three companies have already created. To earn the trust of the lenders that these three have already established would take a long time for a new company to be profitable.

More than one score
The real misconception about credit reporting has less to do with the number of bureaus than it does with the different scores that are available to consumers and lenders.

The common 300 to 850 FICO credit-scoring model has been believed to be the standard and only scoring system by most consumers. In fact, there are a number of different scoring models available for use. Different weights are assigned to different financial scenarios. The auto dealerships often use a score based on auto buying and payment history of a consumer. FICO is not the only scoring model. The Vantage Score is the model used by the government sponsored AnnualCreditReport.com. This scoring model uses a numerical score range between 501 to 990 with higher scores representing a lower likelihood of risk for a lender.

What a lender looks at
Some lenders will purchase a customized scoring model that will let them get a better idea of a borrower's credit worthiness within their particular industry. Equifax, for instance, markets a specific BEACON score to auto dealers and auto finance companies that calculate a consumer's creditworthiness in respect to the likelihood to repay an auto loan.

Other scoring systems can be purchased through credit resellers that pay the big three bureaus for their data and then repackage it to meet a lender's needs. In recent years a model that shows a bankruptcy predictor has been popular with financial institutions.

Whatever the method a lender chooses to determine a borrower's creditworthiness, the results are the same. The score or even an average of scores, called a tri-merged score, will be different than the score that the consumer has access to.

What does all this mean to you?
With all the intricacies of proprietary information and the formulas used to evaluate it suggest that it is pointless to find out your credit score? No, it is still important for you to know the information that is included on your credit report and your score.

Lenders just don't look at the credit score they look at the balances on open lines of credit, a consumer's debt ratio and a person's credit history particularly within their industry. This information is included on every credit report and is the basis for the lending decision beyond the consumer's credit score.

The point is, the consumer needs to look for the same red flags that the lender will consider when making a creditworthiness determination. If the consumer knows what is on their credit report, instead of focusing on the score, they can understand what actions can be taken to improve their score and creditworthiness. Each credit report will highlight at least five factors that will drive the score up or down. This provides a plan of action each consumer can take to increase their credit profile. Lenders evaluate you on your credit risk. If you are a low risk they will lend to you. If you are a high risk they will most likely not lend to you and you will need to take actions to remedy the situation.