



### WHAT CAN I DO TO IMPROVE MY CREDIT SCORE?

All of your debts, payments, credit card accounts and other financial history are used to compute your FICO credit score. All of the credit agencies calculate a score between 300 (extremely poor creditworthiness) and 850 (perfect credit). The average score is about 700. Your credit score is used by creditors to make a decision on applications for car loans, mortgages, credit cards, and other purchases. If credit is granted, your score is often used to determine the interest rate on the debt.

- About 35%, of your score is determined by payment history. Missing payments or frequently paying bills late will drastically lower your score. You can significantly improve your score by making timely payments going forward, even if you have a history of late or missed payments.
- About 30% of the FICO score is based on how much money you owe versus how much credit is available to you. For this reason, it is rarely helpful to cancel credit cards that have a zero balance. A better strategy is to retain the card, but use it carefully and make all payments on time.
- About 15% of your credit score is based on the length of your credit history. The longer your credit history the better.
- The type of credit you use determines about 10% of the FICO score. Having many different types of credit, including mortgages, credit cards, car loans, etc. will likely generate a higher score.
- About 10% of your FICO score includes searches for credit. Applying for many different types of credit over a short period of time can lower your score.

### CAN BANKRUPTCY HELP?

Filing a bankruptcy case is not a cure all. In some circumstances, however, it may make sense to clear out old debt that you cannot pay so as to focus on rebuilding credit using debt that you can keep current. It is rarely a good idea to file bankruptcy just to help rebuild credit, but there may be other good reasons to file. In some circumstances, it is the only way to get a fresh start. The decision to file a bankruptcy case should be made only after consultation with an experienced bankruptcy attorney.

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