

## Pump Up Your Credit Score!

Are you looking for a surefire solution that will lower the interest you pay on your mortgage, car loans, credit card accounts and other debt? If so, there's one easy answer: Raise your credit score. The Massachusetts Society of CPAs offers the lowdown on why your credit score is important and how it can affect your financial life.

### Facts about FICO

When people talk about credit scores, they are often referring to what are called FICO scores, which rate your creditworthiness based on a number of factors, including your bill payment history, how much you owe, the length of your credit history and the kinds of credit you use. Scores range from 300 to 850, and the higher the score the better.

Credit reports are maintained by three major credit bureaus—Equifax, Experian and TransUnion. Your FICO Score is calculated by a mathematical equation that evaluates many types of information from your credit reports at those agencies. You are eligible to request a free credit report from each agency once a year (go to [www.annualcreditreport.com](http://www.annualcreditreport.com) for more information).

### Why It Matters

Your credit score is important because lenders use it to determine how much of a credit risk you are. Their decision has an impact not only on whether they will offer you credit, but also how high an interest rate they will charge. For example, say you wanted to take out a 30-year, \$200,000 mortgage and you had a credit score of 760 or higher. That score could earn you an interest rate of 4.096%, and a monthly payment of \$966. If your credit score was only 620, however, you would might be charged 5.698%, for a monthly mortgage bill of \$1,161—or \$2,340 more per year. Raising your score is clearly an effective way to keep more money in your wallet.

### See Where You Stand

The first step in maintaining a good credit score is reviewing your credit report to check for any possible errors. Mistakes may include anything from incorrect reports of missed payments to erroneous information about account balances. Note that in addition to highlighting errors, a check of your credit reports is a great way to spot possible identity theft. If your report includes unfamiliar credit cards or other borrowings, that's a warning sign that someone may be fraudulently using your identity to run up debt. Whatever problems you find on your credit report, be sure to contact the credit bureau immediately either to dispute an error or to report potential identity theft.

### Get on a Schedule

Job loss and illness are two of the many reasons people fall behind on loan or credit card payments. Missed or late payments will lower your credit score, but you can repair the damage by getting back on track and making timely and regular payments as soon as you're able. The credit score gives more weight to recent activity, which means that the impact of past problems won't last forever. If you're having trouble making minimum payments, contact your creditors and try to negotiate a lower interest rate or lower monthly payments. If that means more manageable bills, you'll have a better chance of maintaining regular payments and improving your credit score.

## Pay Off Your Debt

It's hard to accomplish, but it's worth doing if it will raise your credit score and lower the interest you pay. If possible, set up automatic payments from your bank account for your regular bills so there's no chance of missing them.

## Consult Your CPA

Proper debt management is one of the many steps you can take to lower your expenses and make the most of your money. If you're trying to get your debt or any other aspect of your financial life on track, your local CPA can help. Turn to him or her for advice on all of your financial questions. To find a CPA in your area, contact the MSCPA at 617.556.4000 or [www.msccaonline.org/findcpa](http://www.msccaonline.org/findcpa).

## About the Massachusetts Society of CPAs:

The Massachusetts Society of Certified Public Accountants, Inc. is the state professional association of certified public accountants, representing over 11,000 members in public accounting practice, industry and business, government and education. The Society works to develop and maintain high professional standards and offers a wide array of legislative, technical and referral services to its members.