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6 Steps to a Higher Credit Score

Improve your credit score and save on interest payments.

1- Pay off outstanding collection accounts only if it is originally dated within the last two years or if the lender/collection agency is updating the report. As wrong as it sounds, check all the dates associated with the item and if they are older than two years, leave them alone. Believe it or not paying an item older than two years will actually have an adverse effect on your credit score.

2- Carefully plan to pay as much debt as possible. The object of the exercise here is to bring down revolving accounts down to 50% of the maximum credit line or even to under 33% if possible. If your co-borrower has a card say with only 5% or so against it, then borrow on that card to up to 30% and use the money to pay down one of your high balance cards or vice versa.

It is important to pay attention to the total credit line and total debt also. Having 3 cards of zero balance with credit limits of \$150 to \$300 each is no good if you have one \$3500 limit card with a \$2500 balance.

3- Do not pay off and close a revolving account. Closing a revolving account has an immediate adverse effect on your credit rating.

4- Call your credit card companies and see if they will increase your credit limit. This will bring the ration of outstanding debt to credit limit down.

5- Don't buy a car! Nothing brings down a credit score more dramatically than a new car loan. A fixed term loan will have a negative effect on your credit score for up to 6 months. The negative effect gets lower with every passing month tuning into a positive effect after 6 months, providing payments have been made in a timely fashion.

6- Get all in accurate information removed, we have a whole page dedicated to this subject including a sample letter.