

## **Time to Step Up for Credit Score**

A Higher Number Is Needed for Some Loans; How to Improve Your Chances

By **MARY PILON**

It used to be that a 720 credit score or higher would get you the best interest rates. With lenders suddenly focused on credit risk, that isn't necessarily the case anymore.

To lock in the best interest rate on a 30-year fixed-rate home mortgage, it now takes a 760 or above, according to data from [Fair Isaac](#), developers of the FICO score. For a 15-year home-equity loan a 740 FICO score is sufficient to lock in the lowest interest rate now. And borrowers will need a 720 for the best interest rate on a 36-month auto loan.

Your credit, or FICO, score is a three-digit number, ranging from 300 to 850 that lenders use to try and gauge what you are going to be like as a borrower. Fair Isaac generates the score based on your credit report from one of the three credit-reporting agencies: [Equifax](#), Experian or closely held TransUnion Corp. The FICO score is used by more than 90% of lenders.

But despite higher standards from lenders, the average credit score has stayed relatively flat at 690, according to John Ulzheimer, president of consumer education for Credit.com. This leaves a whole swath of good customers scrambling to boost their scores.

"It's a completely different credit world," Mr. Ulzheimer says. But there are still some tactics consumers can employ to boost their credit scores in an otherwise tough environment.

Look at your usage. Lenders recently have done two major things to crimp customer credit ratings: Cut back on credit limits and close dormant accounts. Even if consumers aren't maxing out their cards -- and they shouldn't -- having a high credit limit helps with the amounts-owed portion of the credit score. The higher your limit and the more responsibly you use it, the higher your score.

In the past, customers could call up their lenders and ask for their limits to be reinstated, or even increased. But many financial institutions are being less generous as they fight to offset huge losses. Harvey Rosenfield, founder of Consumer Watchdog, recommends asking to speak with a supervisor if you aren't satisfied with the response. "It's the squeaky-wheel principle," he says.

If that doesn't work, replace that credit line with a new credit card. Your credit score will take a temporary hit after applying for a new line of credit. But in the long run, having a higher credit limit should lift your score.

Pay on time, every time. Thirty-five percent of the FICO credit score is payment history, so paying off at least the minimum balance on time is crucial. The newest version of Fair Isaac's score, FICO 08, is set to unroll in 2009, and is even more sensitive to payment history.

Keep accounts open and active. Rather than closing unused lines of credit, keep them open. Call up the issuer to make sure the account isn't closed due to inactivity. If you are worried about overspending on the card, put it in a safe place in your home, to avoid the temptation of racking up unnecessary charges.

Piggyback, if eligible. One of the original provisions of FICO 08 was eliminating authorized user accounts, such as children or spouses, to cards. Due to uproar from consumers and the credit-reporting firms, that isn't the case any longer, a victory for benevolent borrowers trying to help loved ones establish a credit history.

Order a copy of your credit report. Twenty-five percent of credit reports have an error that could result in a lower credit score, according to a 2004 study from the U.S. Public Interest Research Group.

You're legally entitled to one free from each of the credit reporting firms through [annualcreditreport.com](http://annualcreditreport.com). Fair Isaac and the three credit reporting agencies charge for consumers to see their FICO credit score, but your credit report, the blueprint for your credit score, is free.

If you are applying for a loan from a specific lender, ask which of the three FICO scores (the Equifax, Experian or TransUnion scores) they will use. They aren't required to tell you, but it could save you the hassle of having to order all three scores.

If you are curious what your credit score is, but don't want to shell out the cash, there are several credit-score simulators available on [Credit.com](http://Credit.com), [CreditKarma.com](http://CreditKarma.com) as well as [Bankrate.com](http://Bankrate.com). Although these are only simulators, they might help give a general sense of where your credit rating stands.

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