# 9 Ways to Improve your FICO Score

Many borrowers find their FICO Scores come up short when it is time to finance or refinance their properties.

Whether it is a multifamily property or a commercial space, your credit history may impact securing the financing you need for your next investment property.

## Get to Know Your FICO Score

Your score from the Fair Issac Corporation (FICO) can be improved. By understanding what makes up your FICO score, you will be able to take steps to boost your number and improve your financing options to ensure you are getting the best rates possible.

**A FICO score, utilized by each of the three US credit reporting agencies, Equifax, Experian and TransUnion, is a numerical representation of the quality of your credit history, ranging from 300 to 850. It is formulated by five distinct score factors:**

**Payment History:** The most important factor, your payment history, includes all of your past credit account payments.

**Amounts Owed:** Determined by the amount of credit available to you in comparison to the amount of debt you owe. Keeping your debt low can boost this part of your score.

**Length of Credit History:** The longer your credit history the better. Details include how long your credit accounts have been open and the last time you used each of your accounts.

**Credit Mix:** Your mix of credit cards, loans, and mortgages is taken into account. Having a variety of credit types can improve your score.

**New Credit:** Opening several credit card accounts or taking on numerous loans over a short period of time can raise a red flag for lenders. Keep new lines of credit to a minimum.

# Key Factors That Improve Your FICO Score

Your score factors can be weighing down your FICO score significantly. By analyzing the different factors on your credit report, you may be able to incrementally improve your score.

## Payment History:

**Having a high amount of debt can severely hurt your credit score. The amount owed takes into account the amount of debt you have in relation to how much credit you still have available. If you have $10,000 of credit available to you but have $8,500 in debt, that would lead to a very low score for this portion of your credit score.**

**1. Correct Credit Report Errors:** If you see a negative payment that is inaccurate, you can take steps today to remove the error from your report. First call the credit bureau and let them know that they have false information so that they may begin investigating the error. Provide them with documentation showing that these reports are wrong. Next, send the same documentation to the creditor who filed the misinformation and report the error. Removing errors may take anywhere from 30-90 days but can results in big gains for your credit score.

**2. Removing Collection Accounts:** Unfortunately, your credit score will not improve by simply paying off your collection account. However, if you get it removed entirely from the credit report, your score can see significant gains. To get your collection removed, try to negotiate with the credit company to pay the debt in full only if they agree to remove their claim from your report. Your collection agency can send you a "letter of deletion" that can be used to quickly edit your score through your mortgage lender.

**3. Removing Federal Liens:** Similar to collection account, your lien may linger long after you have paid it off. The Internal Revenue System has recently launched a new program that can help you remove past liens from your credit report. The IRS may even remove the lien if you are making monthly payments on it and the debt falls below $25,000. Call the IRS for the documents you will need to apply for the lien withdraw request. It normally takes more than 60 days to process all of it, so give yourself adequate time to get it removed before you begin applying for financing.

**4. Removing Additional User Accounts:** If you are an authorized user on an account that has been affected by late payments, your credit score could be hurt. Ask the main account holder to remove you from the account. Once your request to be taken off the card has been put in with the credit card company, they will be able to put in a request to have the account deleted from your report.

**5. Pay Down Your Balance:** The first step is an obvious one. Work to pay down the amount of debt you own. Whether in a large lump sum or in small monthly payments, lowering your debt can increase this portion of your score. Ideally borrowers should not exceed 10 percent of their credit limits. Paying down your card may result in point improvements in the double digits. Make sure you do not close the credit card after you have paid down the balance. You will want it to factor into your length of credit history.

### Length of Credit History and New Credit:

Lenders like to see that you have a long history of credit. Having a perfect payment history can earn you more points if that payment history is for the past 30 years rather than just 10 years. The longer you have your credit lines open, the better.

**6. Transfer Your Balance:** Another way to help you pay down your debt is to transfer your balance to a lower rate credit card that will allow you to save on your interest payments. To remove the card balances you can also look into a home equity line of credit. These are usually reported as a mortgage payment and may reduce the appearance of having a high amount of credit card debt.

**7. Adding Joint Accounts:** If your spouse has had a credit card for a long period of time, you may be able to take advantage of their long established credit history. You may also be able to become a joint account holder with your business partner. Get an additional card added under your name to that account to have their line of credit appear on your report. Be aware that some lenders may not count joint accounts to meet their lending standards of having a specified number of credit lines open.

**8. Closing New Accounts:** Opening a lot of accounts over a short time period can also reflect poorly. Limit the amount of new credit that appears on your account by closing unneeded new credit cards. This is only recommended for those who see new credit being reported as a negative on their FICO score.

**9. Adding Accounts to Your Report:** If you do not have a credit card at the moment, your score could be improved by opening a new account. You can also gain the same impact by becoming an authorized user or joint-account holder as previously mentioned. Adding a card to your history could impact your score by as much as 30 points.

## Axos Bank is Here to Help

A tailor-made lending package from Axos Bank can help you reach your goals and contribute to a potentially successful and lucrative commercial property investment. Call us today at (877) 247-7994 or email us at multifamilylending@axosbank.com to learn how we find personalized solutions that offer the funding you need with the flexibility other lenders can't match.