



Getting All the CREDIT You Deserve

Borrowing money is tougher in a tight economy, but it's not impossible. You can improve your chances of getting that loan, and at the best rate, by keeping an eye on your credit history and score.

Story by S. Kay Bell

THE SLOWING OF THE NATIONAL ECONOMY isn't just affecting Wall Street wheelers and major corporate dealers. Everyday folks, including many here in the Austin area, are feeling the pinch of tightening credit markets.

Nowadays, if you are applying for a mortgage, planning to buy a car or looking for a new credit card, your quest could run into an unexpected obstacle. Lenders now want to loan only to people with a stellar credit rating. And if you are able to get credit, even a small blemish could mean you'll end up paying thousands more over the life of the loan.

But don't despair. There are some steps you can take to improve your credit potential.

Your Creditworthiness Grade

Your first move is to understand how lenders see you. They typically take a two-pronged

approach to granting credit, looking at your credit score and your credit reports.

Your credit score essentially is a report card on your creditworthiness. Fair Isaac Corp. (FICO) developed the credit score standard, so you've probably heard the number referred to as a FICO score. "It tells how well you've been handling your finances," said Sally Borie, education coordinator at the nonprofit debt management company Consumer Credit Counseling Service (CCCS) in Austin. "And just like in school, the higher the number, the better it is for the consumer. Lower school scores indicate you might have passed, but you won't get in the accelerated program. Lower scores may still get you the loan, but it will cost you more money."

So what is a good financial grade? Scores range from 300 to 850-900 depending on the scoring model, said Borie. The Texas average is in the mid

600s, while the national average is in the upper 600s. "We used to say that with a 680 or above score would probably get you the best rate, but now lenders are a little more conservative and looking for 720 and above," said Borie.

Cleaning Up Your Credit

Whether you're able to achieve that lofty credit score depends largely on information in your credit report, or rather, reports. Three nationwide bureaus – Equifax, Experian and TransUnion – track your payment habits. Well before you apply for any new credit, you should get copies of your reports from each agency. If they contain incorrect data that could lower your score, you'll need to clear it up as quickly as possible. "It's amazing the number of people who've never looked at their credit reports," said Borie. "Mistakes do happen, files get mixed. If information is



Credit Rx in Six Steps

This six-step to-do list will help ensure you have a credit ranking that will get you the best rate from any lender.

1. Pay bills on time.
2. Pay down your credit cards.
3. Have a diverse mix of loan types.
4. Keep old accounts active and paid.
5. Minimize credit inquiries.
6. Check your credit reports and fix any errors immediately.

Remember, you can order a free credit report from each of the national credit reporting bureaus – Equifax, Experian and TransUnion – by calling toll-free **877.322.8228**. Or, if you prefer, you can order your reports online at

www.annualcreditreport.com.

**Make sure you use this website, said Austin's Consumer Credit Counseling Service spokesperson Sally Borie, "Other companies advertise similar services, but they will ask for your credit card numbers and will try to sell you a credit monitoring service, which you don't really need and which is difficult to cancel."*

there that's incorrect, you need to dispute it because it may affect your score."

Getting your credit data is now a snap. Thanks to the federal Fair and Accurate Credit Transactions (FACT) Act, everyone is entitled to a free credit report every 12 months from each of the three credit bureaus. The easiest way to check is online at annualcreditreport.com, the official free report website sanctioned by the Federal Trade Commission. FACT allows you to get the credit reports at no cost, but if you want your credit score, too, that will cost you, usually between \$4 and \$8.

Generally a credit report has four things: personal data, payment and credit history, information from public records and inquiries about your credit. The bulk of a credit report is the payment and credit history. "Here is where you find information about creditors and accounts that you've had," said Borie. "You want to check all three agencies because not all creditors send information to all three bureaus. Some only use one or two."

Whenever you or anyone else looks into your reports could also impact your score. Instances where, for example, you pull your own credit report, don't really affect credit score. FICO allows for rate shopping, particularly for major loans. "You get about two weeks to shop around for an auto loan, 30-to-45 days for mortgages," said Borie. "Such inquiries are coded to show that you're shopping during that period as part of your loan application process." But when you actually apply for credit and the lender looks into your credit more closely could create some issues. Such queries usually stay on your credit report for about two years, said Borie, and several of them could cause a lender to question why you need so much credit.

Getting Specific

In calculating a FICO number, the company analyzes five credit report factors, each with a different weight. Your payment history, primarily whether you pay your bills on time, counts toward 35% of your score.

Your credit utilization, that is, how much of your available credit you are using, counts for 30% of your score. In this case, you want to make sure the amount you owe is half or less of your available credit. If, for example, you have five credit cards, each with a \$1,000 limit, and owe \$900 apiece on two cards, you're in good shape because your total \$1,800 owed is well below half your available \$5,000 credit. "But if you close two card accounts, then you only have \$3,000 potential debt and that \$1,800 you are carrying is well over half," said Borie. The better move is to keep all your accounts open and only charge on a few and, of course, regularly pay down those you do use.

The length of time you've had credit counts for 15% of your FICO score. Any new credit you get and the types of that credit you have – Borie says FICO looks for "a healthy mix" – each will account for 10% of your score.

Credit Score Refinements

But with or without your efforts to bump up your credit rating, your score might change this year because of a new system. Fair Isaac is fine-tuning the variables it uses to evaluate consumers' credit behavior. The company estimates that as many as half of borrowers' scores could go up or down by more than 20 points with the new system. Equifax and TransUnion will be the first credit reporting bureaus to roll out the changes.

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likely won't be on the mission to Mars, but is laying the groundwork for the men and women who will.

There is a 1958 quote by then Senator Johnson on the wall of the *To The Moon* exhibit at the LBJ Library that reads, "We must look upon outer space as a challenge to the creative impulse of mankind. And if we meet that challenge properly, we may find the road to lasting peace truly lies in the stars." With a caretaker like Ellen Ochoa, no dream seems too lofty. ★

MORE INFO

To The Moon: The American Space Program in the 1960s
LBJ Library and Museum
2313 Red River, Austin
www.johnson.library@nara.gov
Open every day
9 a.m. - 5 p.m.
Exhibit runs through July 20th

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Ideally, the new scoring system will help both consumers and creditors. Lenders will be able to better evaluate customers, said Borie, and some of the gray areas that have worked against borrowers have been changed. "They used to lump late-paying individuals together," said Borie. "A habitual slow- or no-payer was put together with someone who had a one-time missed payment. This differentiation will help consumers who have that one-time mistake."

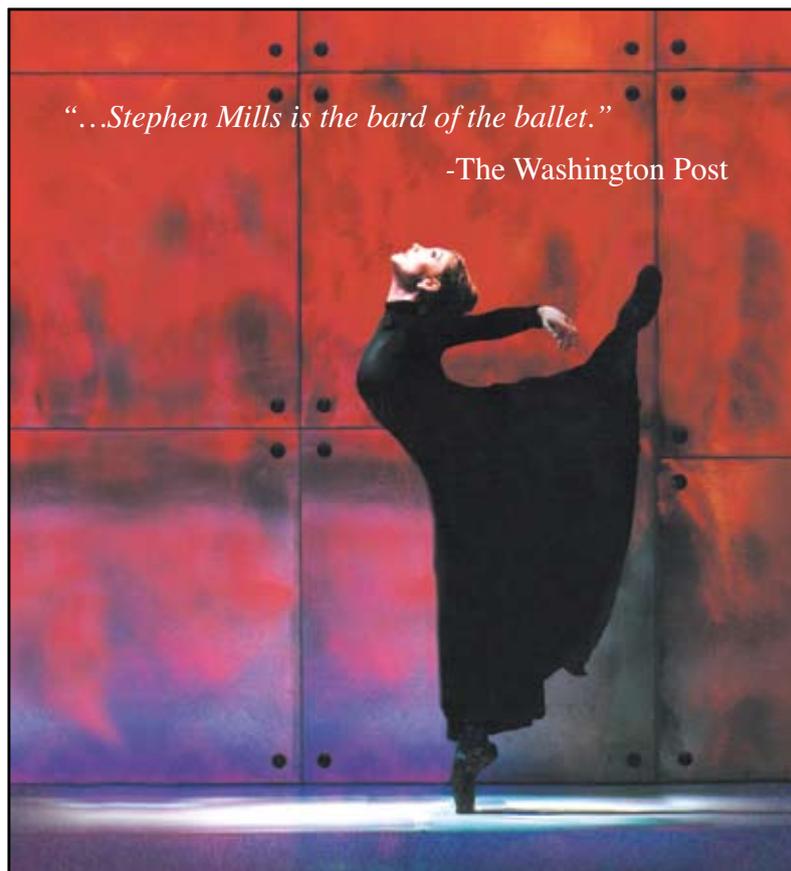
And while your credit score and the factors that go into it are important, don't fixate on the numbers or despair if yours is low. A credit score isn't permanent. "It's a snapshot of that particular time you pulled your score," said Borie. If you're not happy with a particular credit score picture, you can take steps to reframe your credit and get a more flattering photo, and better credit chances, the next time. ★

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system with incredibly fast turnaround. I've returned movies on Thursday, and received new ones on Saturday. You get another movie when you turn in a movie you have, and there are never any late fees. I've got a two-movie subscription, which means I always have two movies in circulation between Netflix and me.

The web developer in me loves the user-friendly, intuitive interface with many useful features. There's a myriad of ways to find new movies, including a comprehensive recommendation engine that finds great matches based on previous movie selections I've made. When you rate movies, it's taken into account for future recommendations.

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Share your queue and recommendations with other people on Netflix. Because I have a full schedule and can't socialize as much as I'd like to, I'm always seeking opportunities to connect with friends and enrich our relationship in innovative ways. Online communities also allow me to create new conversation and memories with people who don't live close. I've got special connections to friends on GoodReads, SparkPeople, Twitter, Facebook, LinkedIn, Audible and Netflix. One of my friends, Robin, is a regular movie watcher, has a great queue, and regularly reviews the movies she watches. I know her better from sharing a movie queue. You can also connect with users who have similar tastes to yours, based on your favorite genres and most-watched actors and directors. >>>



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