

Credit-Scoring Myths

Your credit score is very important. Not only is it used when you apply for loans, it's now used when you apply for jobs, rent apartments, open cell phone or utility accounts, and apply for insurance. So it's critical that you do everything you can to keep your score as high as possible. Unfortunately, there is a lot of misinformation out there about what does and doesn't hurt your credit score.

So what are the top myths? They are:



- Closing accounts will raise your credit score. Not always. It can affect your score in two ways; by reducing your available credit and the length of your credit history. By closing the account, your overall available credit is reduced resulting in a higher debt ratio. Additionally, it may cause your credit history to look younger. In both instances, closing your account can hurt the score.
- Checking your own credit report can hurt your score. Inquiries made by lenders when you apply for credit can reduce your credit score, but ordering a copy of your own credit report has no effect on your score.
- Credit Counseling will hurt your score as much as a bankruptcy.

Credit counseling agencies do not report to the credit bureau that you are participating in a debt management program, though a creditor might report. However, the credit-scoring model does not use Credit Counseling as a part of the credit score calculation, so it has no impact on your credit score. Any negative impact on your score, initially, might be a reflection of the creditor showing the account past due or the negative impact of having your accounts closed.

Divorce decree severs joint accounts. When a judge assigns financial responsibility for a debt to one individual, the creditor still has the right to pursue both parties when it is a joint account. Each person listed on the account is still responsible for the debt, regardless of what a divorce decree states.

When all is said and done, there are no quick fixes to improving your credit score. The best ways to get your score up and keep it that way are to pay your bills on time, pay down your debt, keep credit card balances below 30% of credit limits and apply for credit only when you need it.