



SMALL BUSINESS TIPS TO BOOST YOUR CREDIT SCORE

Thinking of applying for a small business loan, but worried that your credit score will tarnish your application? Try these tips to give it a lift.

1. Pay credit card debt down. The closer you get to your credit limit, the higher your credit-utilization rate. This rate is a key component of your score, so aim to bring it down to 7%. For example, if your credit limit is \$1,000, try to pay down your outstanding balance as close to \$70.00 as possible. Leave those unused credit cards open because the available balances help boost your ratio.

2. Ask for a credit-limit raise. Once a year, request your issuer to increase your credit limit. This will help with your credit-utilization rate. First ask if this will cause a “hard” inquiry, if so, proceed with caution. (See item 4, “Apply for credit cautiously.” for information on the effects of inquiries)

3. Pay bills by the due date. Payment history weighs the heaviest on your credit score. If you cannot pay by the due date, pay ASAP because the longer you wait the more damage is done. Payments made before 30 days past due won't show up as delinquent.

4 . Apply for credit cautiously. Applications for new credit accounts result in a “hard” inquiry. Multiple hard inquiries in a short amount of time can cause your score to drop, so avoid applying for several cards at once. These inquiries are a small part of your score for one year and drop off your credit report after two years. For example, a single inquiry will generally drop your score by less than 5 points. Note, most lenders view inquiries for a mortgage, student loan or auto loan differently so they tend to not affect the credit score negatively.

5. Know your credit report. Check your credit report for free every four months. Go to annualcreditreport.com and run the first one from Equifax, then four months later from Experian and four months after that TransUnion. If you have any collections, bankruptcies or other black marks, clear those up quickly. If there is activity you don't recognize, follow up with the lender or company in question to get to the bottom of the issue.

6. Time is your friend. As delinquencies get older, their impact on your credit decreases and will fall off after seven years. The length of your credit history is worth 15%, so as your credit accounts age, your score benefits. People with a score of 800+ have an average account age of 11 years with their oldest account being 25 years old. Closed credit card accounts appear on your report for 10 years and factor positively on your score. Opening a new card lowers your average account age and has a negative effect on your score.