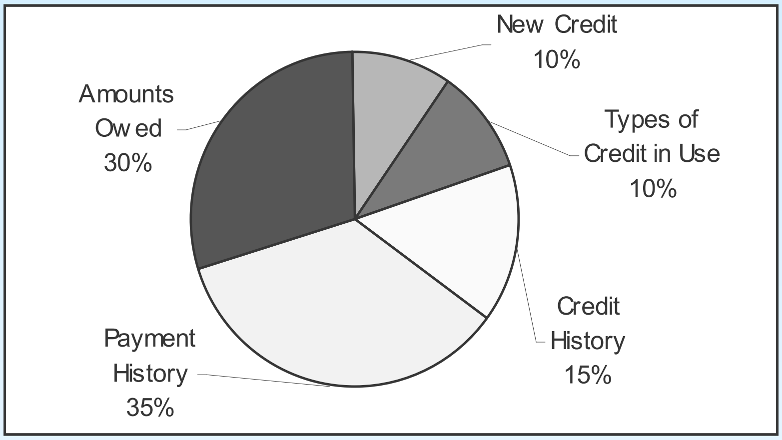
PRESENTS

How to Improve Your Credit By Increasing the Limits on Your Credit Cards.

How To Increase Your Credit Score 50 Points Overnight by Increasing Credit Card Limits.

How you utilize your existing credit accounts contributes to approximately 30% of your credit score (see chart below).



By ethically manipulating the credit limits on these accounts, you can dramatically increase your credit score literally overnight.

Having credit accounts and owing money on them does not mean you are a high-risk borrower with a low score. However, owing a great deal of money on many accounts can indicate that a person is overextended, and is more likely to make some payments late or not at all. At least, that's how the computers see it. And, like it or not, those computers are deciding (based on their algorithm) what your credit score is.

Part of the science of credit scoring is determining how much is too much for a given credit profile. Having available credit can actually help your debt-to-credit ratio. Your total indebtedness includes the percentage of the total credit available to you that you are using.

Are you close to maxing out your limits? For example, if you have a credit card with an available credit line of $1,000 and you have a current balance of $850 or more, then you are nearly “maxed out.”

Having several credit cards or other debts with balances approaching the credit limit will affect your score negatively, even if you have always made your payments on time. Your credit score will take into account your overall ratio of current balances to your overall credit limits, which is known as your Debt Ratio.

A significant portion of your credit score relates to how much of your available balance you are utilizing. If you are using a high percentage of your available limit, then that shows that you are too reliant on credit. The bureaus consider you a risk for default.

If, on the other hand, you have a low balance-to-limit ratio (preferably under 30%), then they consider you a better credit risk. Credit bureaus will consider your overall ratio and the ratio of each individual credit card.

Credit bureaus use a debt-to-available-credit ratio to assist in scoring. If you have $30,000 in available credit and have used only $10,000 of that (using 33% of your availble credit), your score will be higher than someone who has used all $30,000 (100%).

Looking at it another way, your score will be higher if you have available credit of $50,000 with a $30,000 balance than available credit of $35,000 with a $30,000 balance.

The following table demonstrates a Total-Credit-Card-Debt-Ratio calculation (it excludes real estate and auto loan ratios, which don't factor so highly in your credit score).

Total Credit Card Debt Ratio			
Account	**Amount Owed**	**Limit/Loan Amount**	**Percentage**
Visa	**$800**	**$1,000**	**80%**
MasterCard	**$150**	**$2,000**	**8%**
Discover	**$6,600**	**$8,000**	**80%**
Store Card	**$3,300**	**$4,000**	**83%**
Total	**$10,850**	**$15,000**	**72%**

The total credit card debt ratio for this consumer is 72%, which is very high. If we can reduce this ratio to 49%, or even 29%, then this consumer will see a corresponding increase in her credit score.

The magic number to target on ratios are *below* 50%, 30%, and 10%, because those are the secret (until now) levels that trigger the greatest increase in points. The biggest point increase is when your ratio goes from 49% to 29%, so try to get below 30% total.

The hard way to lower the debt ratio is to pay down your credit cards with an infusion of cash. In the case above, here's how that would look:

Cash Required to Pay Down Credit Cards			
Target Ratio	**Current Balance**	**Target Balance**	**Cash Required**
Current: 72%	$10,850	$10,850	$0
To be at 49%	$10,850	$7,350	$3,500
To be at 29%	$10,850	$4,350	$6,500
To be at 9%	$10,850	$1,085	$9,765

As you can see, you will need $3,500 or $6,500 to reach the two most important levels. If you've got the money to do this, that's great, because credit card debt is never a good thing. But if you don't have the money to pay these cards down, there is an easier way to lower your credit card debt ratio—and it won't cost you a penny.

This strategy involves increasing your credit limit rather than lowering your balance. Here's how the same account as above would look after utilizing this strategy:

Credit Limit Required to Reach Target Ratio at Current Balance of $10,850			
Target Ratio	**Current Credit Limit**	**New Credit Limit Required**	**Increase In Credit Limit Required**
72%	$15,000	$15,000	$0
49%	$15,000	$22,143	$7,143
29%	$15,000	$37,414	$22,414
9%	$15,000	$120,555	$105,555

As you can see from this analysis, this particular consumer currently has such a high ratio (72%) that it's impractical to increase her credit limits sufficiently to achieve a 9% ratio or even a 29% ratio. However, 49% is a definite possibility, since that only requires increasing her credit limits by a total of just $7,143, which is very possible.

So this consumer has two choices if she wants to reduce her credit card debt ratio to 49%:

1) Pay $3,500 in cash to reduce the balance (which is, of course, preferable, because is has the added benefit of lowering monthly payments).
2) Increase her total credit limit from its current $15,000 level to $22,143 and pay $0 down on the balance.

The net effect on her credit card debt ratio (and corresponding increase in credit score) is identical in both of the above scenarios.

Here's how to increase your credit limit:

Step One

Determine which of your credit card accounts has the best payment history (preferably no late payments in the past 12 or even 24 months). Credit card companies are unlikely to increase your limit if you have a history of late payments.

Step Two

Determine which cards have the highest likelihood of a large increase. Credit card companies are unlikely to triple a credit limit, even if the current limit is very low. So let's look at our example consumer again:

Total Credit Card Debt Ratio			
Account	Amount Owed	Limit/Loan Amount	Percentage
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In this case, if all accounts have been regularly paid on time, it is probably best to start with the Discover Card or the department store card, since they have the highest current limits.

Step Three

Call your credit card company's customer service number and tell them that you have a good payment history and that you would like to increase your credit limit. The customer service representatives have guidelines by which they can accommodate your request and it's going to be your job to find out what their limits are.

Step Four

The representative will likely ask what you want to increase your limit to. This is where most people make their mistake.

The representative already knows what the maximum is that they can increase your limit. This amount is calculated automatically for them by computer. If you ask for less than that, then that is what you will get. But if you ask for more than that, they will say, "I'm sorry, but the most I can allow is X dollars." This is your fallback amount.

So be sure to ask for a ridiculously high amount. Don't worry, they won't be offended. They are just answering the phones. Ask for at least twice your current limit. Don't be afraid to ask for three or even four times the limit. The worst they can do is chuckle and say no.

After your initial offer and their counteroffer, you should respond with "I was really hoping to get Y dollars" (which is at least a few thousand dollars more than what the representative offered). Sometimes, if they look into your file, they can authorize slightly more. If the do, that's great, but if not, then the least you should accept is the amount they offered.

Step Five

Once you have your credit limit increased, the improvement to your credit score may show up immediately, or it may take some time for the new limit to show up, perhaps as long as 20 to 30 days, depending on the time in your account cycle when you got the increase.

To speed up the process, you can ask your mortgage broker to use the rapid rescore method (see "7 Shortcuts to Credit Mastery" for details. You'll need to get validation from the credit bureau that the limit was increased. Ask for this proof to be faxed to you if possible, or overnight mailed. Then give it to your mortgage lender.