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Pay Down Your Debt

What about the amounts owed on your credit card accounts and other bills? The experts at Fair Isaac tell me that shifting debt around is not going to boost your credit score by and large. You have to pay that debt down. Some people think, "Because I am maxed out on this credit card and I got another credit card offer in the mail, I'll just shift my balance over to the new card, and get some breathing room." While it's true that the balance on that first card will be lowered or eliminated altogether, it's also true that the total amount of debt you owe will remain the same.

Fair Isaac officials haven't specifically said what is the ideal amount of debt for a person to keep in order to maximize your FICO score. However, it's widely believed that you should never use more than 50 percent of the credit that is available to you. My own best estimation, based on my research and my knowledge of the overall Fair Isaac credit scoring model, is that you'll be scored more favorable if you use 25 percent or less of the credit that is available to you. Therefore, if you have three credit cards, and each of them has a \$10,000 credit line available to you, ideally, you should not carry a balance of more than \$2,500 on any of those cards. Many people, though, find themselves far above that range.

Maybe you're one of them. Perhaps you're maxed out on our credit cards, or you've already used 50, 60, 70 percent or more of your available credit. This percentage of credit you've used versus the amount of credit you have available is called your credit utilization rate. Pay your debts instead of shifting debt around, and try your best to keep your credit utilization rate as low as possible in order to achieve the highest possible FICO credit score.