Thirty percent of FICO score is utilization;
The key to this factor is revolving credit, such as credit cards, department store charge accounts and equity lines of credit, but NOT installment credit, which is commonly comprised of mortgages, student loans and automobile payments. If you are using more than 25% of the total available credit on all of these open lines, your score will begin to drop. Consider the following common mistakes when addressing your credit FICO score:

Common Mistake Number One: Canceling Credit Cards

Simply paying down the right credit card balances with the right amounts can increase your FICO score. DO NOT cancel any credit cards, especially if you have zeroed out the balances. This will result in a loss of utilization points.

Common Mistake Number Two: Applying for New Credit During the Mortgages Process

Once again, you will lose points! A real estate agent once said they had just sold a $2M home, but when the client went to lease furniture for their new place, their FICO score dropped significantly below where it needed to be in order to qualify for the mortgage. To this day, I'm sure that the sound of the agent screaming "Return it, Return it, Return it!" in emblazoned in the borrowers mind, as he eventually lost the opportunity to purchase the home over furniture he had no place to put.

Common Mistake Number Three: Disputed Derogatories Are Permanently Removed in 30 Days

Past payment history represents 35% of FICO score, but the majority of the weight is within the past year. However, derogatories can be legitimately and permanently removed. Many credit repair companies send out letters to the creditors disputing these derogatories and if the creditor does not respond in 30 days, according to the Fair Credit Reporting Act, they must come off that person's credit report.
However, nothing has changed with the creditor and when the bureaus are updated the following month, the same derogatories will re-appear. The only permanent way to remove a derogatory is to secure a document from the creditor confirming the obligation is paid in full or incorrect.

Common Mistake Number Four: Failing to Stay Current on Present Bills

A 30-day late payment with a department store for as little as $10.00 can cause your score to drop by 50 to 70 points or more. This FICO drop can be the difference between a 6% interest rate and 9%. All for ten bucks. Pay close attention to detail when going through the process of buying a home. Stay current on everything.

Common Mistake Number Five: Paying Off The Wrong Collection Accounts

There is a huge myth that paying off collection accounts will recover lost FICO. The fact is, if you pay off the WRONG accounts, you will lose those all-important FICO points. Yes, that's right, it will actually drop your credit scores in the first 90 days. The unfortunate reality is, most people in finance understand FICO no better than the average consumer. Which is to say, not at all. We simply laugh at some of the stuff self-proclaimed financial experts have spouted in major papers and web sites. The right way to gain FICO with collection accounts is outlined for you, our customers, in the credit section of this site.