We’re all aware of the importance of credit scores to the cost of a loan and other financial issues in our life. However, how to improve this score is not so well known.

There is no quick fix. Increasing your score may take time. The score is a combination of your payment history, the amount you owe, the length of credit history, if you have new credit, and the credit mix. Working on any part of this equation will improve your score, but some areas are more important than others.

Last week we talked about getting a copy of your credit report. Once you have reviewed that, concentrate on the negative factors provided by the FICO score. These represent the areas you should work on. How quickly it changes is dependent on why it was low as well as the improvements you have made. For instance, if you have a history of late payments, it takes a little while to change that history. If you are using a large part of your available credit, paying it down quickly will make a big difference in your score.

Here’s a list of tips to improve your credit score.

• Pay your bills on time. Delinquent payments and collections can have a major impact on your score. If you have missed payments, get current and stay current. The longer you pay your bills on time, the better your score.
• Be aware that paying off a collection account will not remove it from your report. It will stay on for seven years.
• If you are having trouble paying your bills, contact your creditors or seek a credit counselor. This won’t improve your credit score immediately, but if you can get a handle on your debt and start improving it, your scores will improve over time.
• Keep balances low. High outstanding debt can affect a credit score.
• Pay off debt rather than moving it around. The most effective way to improve your credit score is to pay down your debt.
• Don’t close accounts to temporarily improve your score. By the same token, don’t open new accounts to increase available credit. The score is based on the amount of credit you are using, however, both of these actions will be viewed as artificial ways to increase your credit score.
• Apply for and open new accounts only as needed. Don’t open accounts just to improve the mix of accounts. Also, don’t open a lot of new accounts too rapidly. New accounts will lower your average account age, which will have an effect on your score if you don’t have a lot of other credit information.
• If you are shopping for a new credit card, do it within a short length of time.
FICO scores are often checked when applying for a new account. If you are rate shopping, apply for all accounts within a two-week period. The FICO considers this as one inquiry and won’t lower your score.

- Re-establish your credit history if you have had problems. Opening new accounts and paying them on time will raise your credit score—not immediately, but in time.

The reality is that credit cards and credit debt may be necessary. However, remember that you should manage them responsibly. In general, having credit cards and installment loans, and paying them in a timely manner will raise your credit score.

While there is no question that having a good score is essential, remember that there are other factors considered when applying for a loan. Your age, assets, income, or employment history may be considered by some lenders particularly if you are searching for a home loan. However, if you are looking for a new credit card, the FICO score is very important. Take steps to boost your score.