

# The 5 Factors That Affect Your Credit Score (And Simple Ways to Boost Them!)

By GreenPath Financial Wellness



Whether you're looking to get your first credit card for everyday expenses or take out a mortgage to purchase your first home, credit is an essential tool for helping people to meet their financial goals.

When applying for a line of credit, the higher your credit score, the more likely you will be to qualify, and the more options you will have available to you.

Here, we'll break down the 5 factors that influence your score—in order of most heavily weighted to least—and the simple yet effective steps you can take to give your score a boost.

## Understand Your Current Credit Snapshot.

Federal law requires each of the three nationwide consumer credit reporting companies - Equifax, Experian, and TransUnion - provide you a free credit report every 12 months if you ask for it. While these reports don't contain your actual score, they can be very helpful in identifying what might be affecting it (as well as any inaccurate information that may need correcting). Request yours at [annualcreditreport.com](http://annualcreditreport.com).

## Payment History (35%)

Payment history is the biggest single factor used to calculate your credit score. Late payments (even a couple of days), past due accounts, and accounts in collections all have a negative impact on your credit. Regular, on-time payment of the minimum amount (or greater) will improve your credit score. An on-time payment history in the range of 18 months or longer will begin to show results in a growing credit score.

### Quick Tips for Credit Card and Loan Payments:

**Set up automatic payments.** If your late payments are due to forgetfulness, this is the easiest way to ensure you never miss a future payment.

**Change your billing due date.** Suppose you have multiple bills due on the same day of the month. In that case, it may be worth changing your payment due date to align better with your personal situation (e.g., spacing out bills to make them more manageable, or ensuring your payment date is after an income deposit date.)

**Explore hardship/ deferment options.** If you're having trouble making ends meet, call your creditors and request a forbearance or payment deferral. They may also be able to waive late fees or even allow a lower payment for a period of time.

## Amount Owed (30%)

Your credit utilization is determined by the amount you owe—not relative to your income but, compared to the total credit limit available to you, expressed as a percentage. (For example, if your card balance is \$600 and you have a spending limit of \$2,500, your credit utilization is \$600/\$2,500 or 24%.) As a rule of thumb, your credit utilization should be no more than 30.

### Quick Tips for Improving Amount Owed:

**Pay down your balance early.** If you can make small payments throughout the month, this can help keep your balance down and lower your credit utilization.

**Decrease spending.** Find areas where you can cut back on spending to lower your utilization. Our [Prioritizing Expenses Worksheet](#) can help you to determine what to cut.

**Ask for a credit line increase.** Increasing your credit limit is the simplest way to decrease your credit utilization without having to cut back on spending.

## Length of Credit History (15%)

Although not the most heavily weighted category, the length of a borrower's credit history is important. It's an indication to the financial institutions what kind of borrower you may be in the future. In addition to the overall time an individual has had credit accounts open, credit history is also determined by how long specific types of accounts have been open, and how long it's been since those accounts have been used.

### Quick Tips for Improving Credit History:

**Get a secured credit card.** Backed by a cash deposit, a secured credit card can be an excellent low-risk way for those who have not had a credit card previously to start building credit.

**Keep credit cards open.** Closing a credit card can negatively affect your score.

If you have cards you aren't using, placing a small recurring charge on them (such as a phone bill or streaming subscription) can help to keep the card active while keeping your overall credit utilization low.

### Credit Mix (10%)

Credit mix is determined by looking at the types of credit you are carrying (this includes credit cards, retail accounts, installment loans, mortgage loans, etc.) as well as your payment history in each area.

#### Quick Tips for Improving Mix:

**Explore loan options that work best for you.** Your credit mix isn't the most impactful category, and you shouldn't pursue loans unless they make sense for you and your personal needs. In fact, you may already have a fair credit mix—things like credit cards, personal loans, auto loans, and mortgage loans are all considered different types of credit.

**Make sure you pay loans on time.** A good credit mix is moot if you aren't making timely payments – ensure you are making at least the minimum payments on your outstanding loans each month.

### New Credit (10%)

Research shows that opening several credit accounts in a short amount of time represents a more significant risk—especially for people who don't have an established credit history.

#### Quick Tips for New Credit:

**Open new credit accounts only as needed.** Every time you apply for a new credit card, this creates a hard inquiry on your credit, which will automatically lower your score. Having more credit than needed can also encourage unnecessary spending and lead to increased debt.

**Understand how hard inquiries show up on your report for different types of loans.** While multiple inquiries over a short time frame for credit cards may result in significant score damage, other types of inquiries—such as home or auto loans—are reported a little differently. Since lenders know people often shop around, these types of inquiries won't hit your report for 30 days, and when they do, they'll be counted as a singular inquiry.

So, there you have it. If you implement these tips, you should start to see a gradual increase in your credit score. Remember: Your credit score is based on patterns over time, with an emphasis on more recent information. Improving credit won't happen overnight, but with persistence and consistency, your score should gradually improve over time!

### Free Credit Report Review

Need some extra help navigating your credit report? GreenPath's NFCC-certified credit counselors can walk you through a free review of your credit report. They'll explain how to read the report and help you to make a plan for managing your credit score to support your goals.

## The Path to Financial Wellness Starts Here.

No matter what your goals may be, our partners at GreenPath can help you to take control of your day-to-day financial choices to create more opportunities for achieving your dreams.



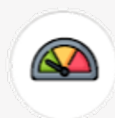
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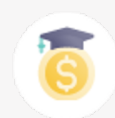
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