

Before You Make Your Resolutions: How to Boost Your Credit Score

“A goal without a plan is just a wish” (Antoine de Saint-Exupéry). If you’ve got your sights set on accomplishing a big life goal in the new year, maybe buying [a house](#) or [a car](#), the first thing to do is to [get your financials in order](#) so you can qualify for a loan. Improving your credit score opens the door to qualifying for the best rates and a higher loan. Depending on your personal situation, boosting your credit score might be a quick fix, or it could take quite some time. Whether you’re building your score up from scratch or trying to do some damage control on a low score, understanding how credit scores work and what strategies you can take to improve them is the first step to accomplishing your new year’s resolutions.

What Is A Credit Score?

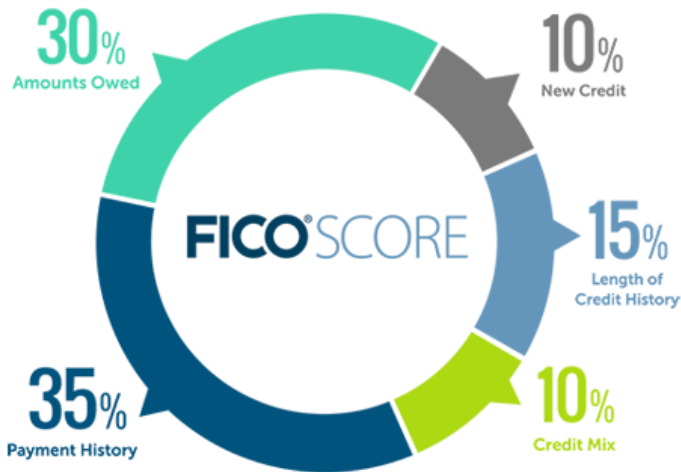
A credit score reflects how likely a borrower is to pay a loan back on time. Your credit score can range between 300-850. A score of 650+ is usually considered a good score. There are three credit reporting bureaus, including Experian, TransUnion, and Equifax. They assign individuals this three digit score. Lenders may look at your score from one or all three credit bureaus. Once a year, you are entitled to a [free credit report](#) from each of these three organizations. A lender may also pull your credit score from FICO or VantageScore to determine your eligibility for a loan.

How Are Credit Scores Calculated

The three credit bureaus use slightly different computer algorithms, or scoring models, to calculate your credit score. Each of them factors in five main categories that influence your score.

- Payment history includes how often you have been late or missed payments on your record.
- The amount owed or credit utilization ratio considers how high your balances are and how much debt you currently have.
- The average age of all of your accounts is calculated to determine your credit history length.

- Credit mix or the variety of accounts you have is also factored in. This may include a mortgage, student loan, credit card, auto loan, or other types of loans.
- Finally, they also consider new credit, meaning any accounts you've recently opened or any recent inquiries by lenders into your credit.



Source: [myFICO](https://myfico.com)

6 Ways to Boost Your Credit Score

Now that we know the general way credit scores work, how do you get a higher number? Excluding any out of the ordinary personal circumstances, by following these six strategies, almost anyone can increase their credit score over time:

1. Repair any negative accounts
The first way to improve your credit score is to repair any negative items reporting on your credit bureau such as collections or judgements. It is important to take responsibility for items you owe that you did not pay timely in the past.
2. Don't miss payments
Having a good history of on-time payments can quickly increase your score. If you have a bad habit of accidentally forgetting to make a payment, consider setting up automatic payments. Just make sure the funds are available when your payment withdraws so that you don't overdraw your bank account.
3. Bring all accounts current
Avoid the late fees stacking up by bringing any past-due accounts up to date. Maintaining current accounts will prevent late payments being reported to the credit bureaus which damages your credit score.

4. Pay down high balances

Like we've seen, a high amount owed can really hurt your scores. As a general rule of thumb, you'll want to keep your revolving credit utilization rate [below 30%](#) of your credit limit. You can try requesting an increase to your credit limit, but the best strategy is to pay down any high balances and debt to get a better score.

5. Limit opening new accounts

If you've been opening a new store credit card every time you go shopping, it may be time to reconsider. When you open new accounts or have lenders submitting a hard inquiry into your credit, it can bring down your score. Also, opening new accounts less frequently can help decrease the average age of your accounts, bringing your score even higher.

6. Dispute inaccurate information

At least once a year, block off a day on your calendar to examine your credit report (remember you can [get a free one](#) from each bureau). Carefully confirm that all reported activity is accurate. Especially look for anything that might lower your score. If you spot an inaccuracy, reach out to the credit bureau to have it corrected or removed.

Just like that, we've unraveled the mystery of the credit score! Establishing healthy money management habits and using these six strategies will put you well on your way to building up your credit score. Once you feel ready, reach out to [your local credit union](#) or financial institution of your choice to see your options about getting [a loan](#). A good credit score is your ticket to achieving those major life goals, and it's never too soon to get started improving yours.