Understanding Credit Scores

and How to Improve Them

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MORTGAGESOLUTIONS of Georgia

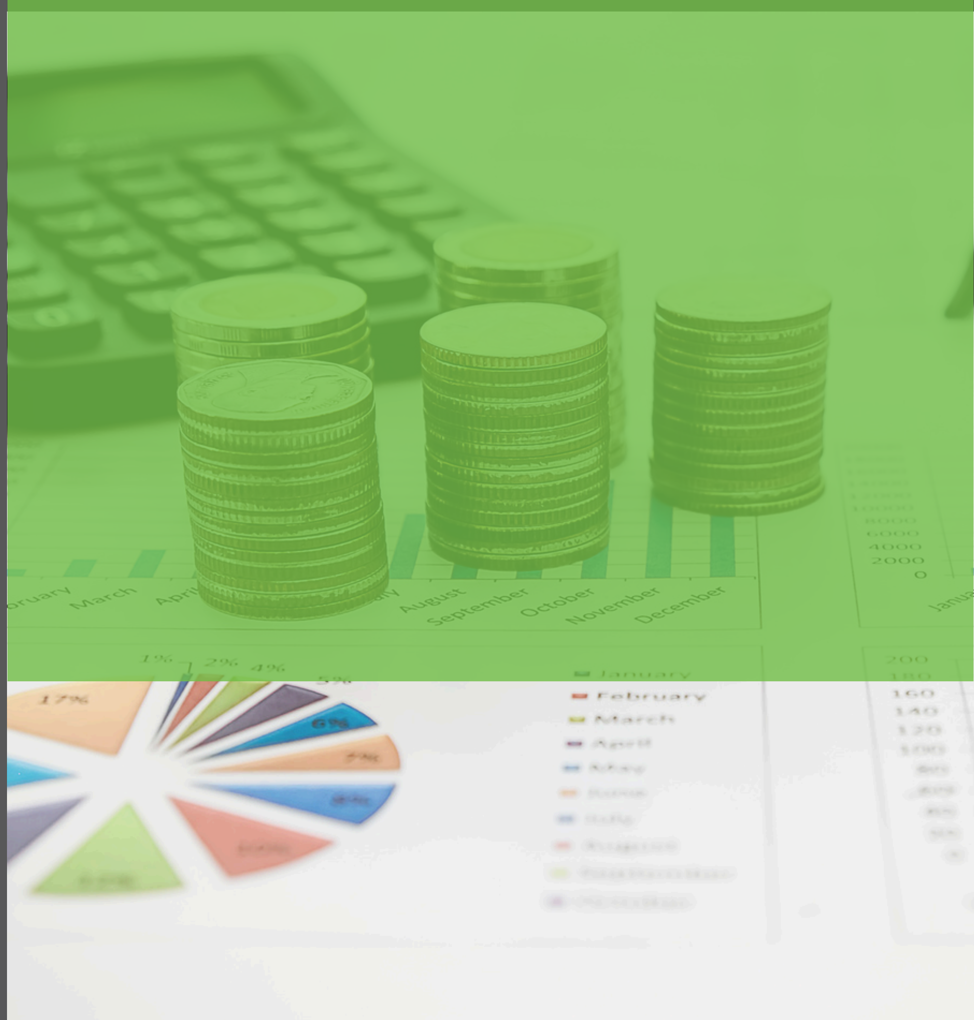
Know the Factors

Credit Score Factors

- **Payment History (35%)**: Most significant; on-time payments improve score, late payments harm it.
- **Credit Utilization Ratio (30%)**: Measures credit use; keep below 30% for a healthy score.
- **Length of Credit History (15%)**: Longer history is better; includes age of all accounts.
- **Types of Credit (10%)**: A mix of credit types is beneficial.
- **Recent Credit Inquiries (10%)**: Multiple inquiries can lower score; soft inquiries do not affect it.

Check Your Credit Report

- Regular checks identify inaccuracies affecting your credit score.
- Errors can result in higher interest rates or loan denials.
- Proactively disputing issues helps maintain or improve your credit score for better financing options.



Pay Bills on Time

- Payment history is crucial, comprising around 35% of your credit score.
- Consistently paying bills on time shows reliability and minimizes negative marks.
- A strong credit score leads to better loan terms and lower interest rates.

Reduce Credit Card Balances

- Keeping credit card balances low is essential for a healthy credit score.
- High credit utilization ratios can lower credit scores and affect loan opportunities.
- Responsible balance management enhances credibility and financial standing.

Avoid Opening Too Many Accounts Quickly

- Multiple hard inquiries from new credit applications can lower your credit score.
- Opening numerous accounts can reduce the average age of your credit history, negatively affecting your score.
- High credit utilization from new accounts can further decrease your score.
- Lenders might perceive multiple new accounts as financial distress or debt accumulation.

Tips to Protect your Credit Score

- Limit and strategically time credit applications.
- Research lenders' criteria to avoid unnecessary hard inquiries.
- Regularly monitor your credit report for errors or unauthorized inquiries.
- Keep old credit accounts open to maintain a longer credit history.
- Reduce existing debt to improve your credit utilization ratio.

Keep Old Accounts Open

Credit Score Improvement

- Keeping older credit accounts open can positively impact your credit score.
- Length of credit history, including the average age of accounts, is key to a higher score.
- Older accounts suggest reliability, and closing them can harm your credit profile.

Diversify Your Credit Types

- A diverse mix of credit types, like credit cards and loans, enhances your credit score.
- Models such as FICO and VantageScore consider credit mix as a key factor for creditworthiness.

Financial Responsibility and Credit Utilization

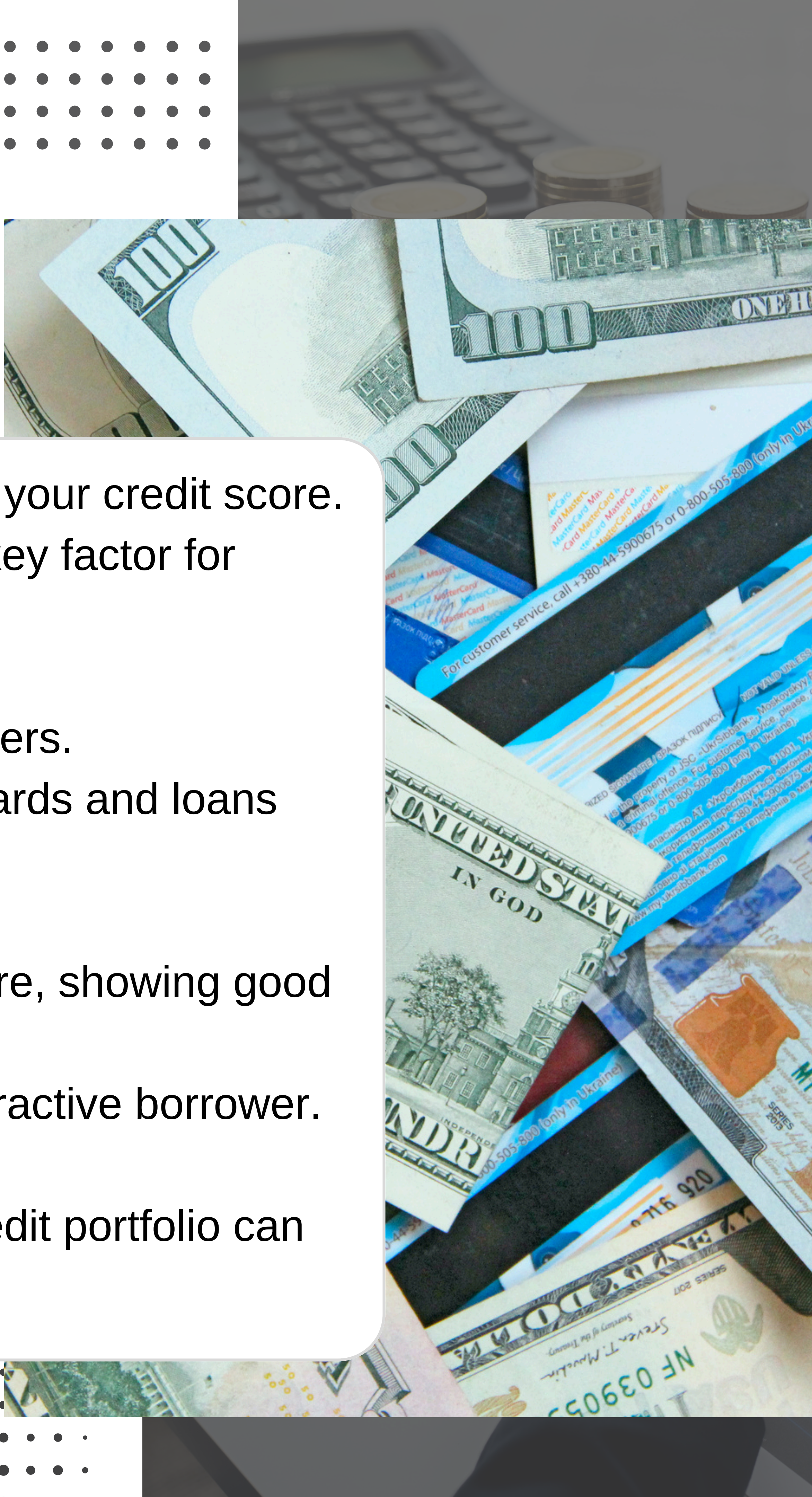
- Managing various credit types shows financial responsibility to lenders.
- Credit utilization ratio impacts your score; maintaining both credit cards and loans helps keep it favorable.

Credit History and Risk Assessment

- A longer credit history with a mix of accounts can improve your score, showing good credit management over time.
- A varied credit profile reduces perceived risk and makes you an attractive borrower.

Improving Credit Mix

- Credit models favor a good mix of credit types; diversifying your credit portfolio can improve your score.



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