



# The Smarts of Repairing and Keeping a Healthy Credit Score

The way you handle credit accounts not only affects how much debt you have each month, but it can also be influential in much larger issues. Buying a house, for example, has everything to do with your credit history. The strength or weakness of your credit score will play a major role in determining just how low of an interest rate you can get on a home mortgage loan. Repairing any current problems and keeping up healthy credit habits is essential for securing the best deal on your next home purchase.

## Credit Score Breakdown

First you need to understand how your credit is scored. The heaviest weighted issue in your credit score is your payment history. That makes up 35% of your score. The next largest factor is your current debt-to-credit limit ratio, which accounts for 30%. Then you have 15% which is made up by the length of your credit history. The final two factors are each worth 10% of your score. These are your new credit accounts and inquiries, and the types of credit accounts you have.

## Ways to Improve Your Score

### Payment History

The most obvious way to improve your score in the payment history category is to pay all your bills on time. That is what the credit bureaus are looking for. Consistent, timely repayments show that you are a responsible lender and that creditors can trust you. If you have had problems with keeping your bills current in the past, the only way to undo the damage is to start immediately to pay on time!

If you are unable to meet your financial obligations, you need to talk with a credit counselor to work out some alternate payment plan with your creditors. You should realize though that if some of your accounts currently have collection orders against them, even paying off those bills will not immediately remove the collection comments from your report. It will be seven years before the collection slate is wiped clean.

### Debt-to-Credit Limit

The best way to score high in this category is to keep your credit account balances low. This includes both credit cards and other types of credit. If your balances are presently higher than you would like, do not try to consolidate them onto to one credit account. This may actually lower your score because your debt ratio will increase. The credit bureaus like to see that you have a healthy amount of available credit and that you are not maxing it out every month. That makes it look like you are desperate for credit.

### Credit History Length

There is not much to do here but give it time. It is not a good idea to open a ton of new accounts at once. This will not increase your credit history right away and it will probably even lower your score.



### New Credit

Lots of inquiries into your credit history from potential creditors can be a red flag for the credit bureaus. They see this as another sign that you are desperate for credit and are unable to find it because of your history. It is okay to have some inquiries, especially if the majority of them occur within a short period of time. So when you shop for an auto loan or a mortgage, try to get quotes and have all the credit checks done within a month's time frame. This will limit the damage to your score.

### Types of Credit

You can have credit in the form of credit cards, auto loans, mortgages, and other installment debts. Do not rush to open more accounts just to diversify your credit accounts. You should only open new credit lines when you need them. It is part of using credit responsibly. If you do not have any credit cards however, it is a good idea to open at least one account and make periodic purchases with it. Paying those off in a timely manner will boost your credit score.

There are many things you can do to improve and maintain your credit. Being a conscientious credit user will make you a desirable candidate for a mortgage loan and will help you obtain the best deal possible on that important investment.