

# How to Boost Your Credit Score

For being such an important number, credit scores often go ignored. Until you are crossing fingers that you qualify for a good interest rate on a car loan.

Have you ever wondered why your credit score matters? And, just exactly what's the difference between your score and your credit history? Here's what you need to know.

## What's the Difference?

Think of your **credit score** as a snapshot of your current situation, and your **credit history** as the entire photo album. If you want to improve a selfie, you might comb your hair or change the lighting. Likewise, you can improve your credit score by implementing a few good habits (see below).

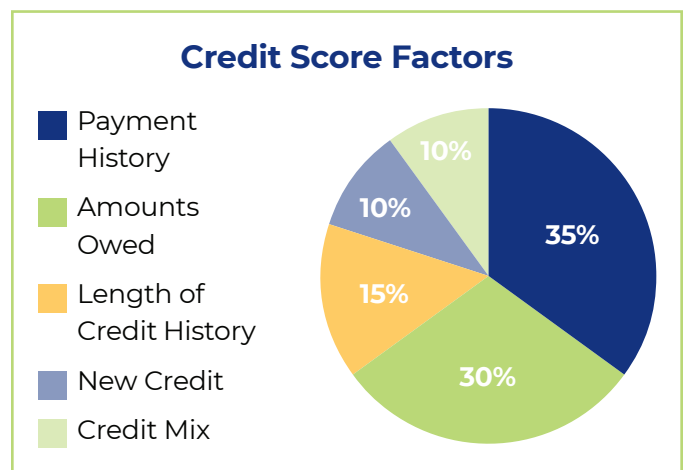
## How Credit Scores Add Up

Your credit score will range from 300 to 850 and is calculated using data from your credit report. You want a higher number in that range since it plays a role in all sorts of things throughout your life:

- Interest rates on loans, including credit cards
- How much money a bank will risk loaning to you
- Insurance rates for home and automobiles
- Whether the landlord accepts your application when you want to rent an apartment

Your score changes over time and evaluates how you have managed your credit based on five factors:

- **Payment history** gauges how well you have handled credit in the past. If you are late making payments, your credit score can drop quickly.
- **Amounts owed** compares what you owe with your total credit limit. It's called credit utilization, and lenders prefer to see that you owe no more than 30 percent of your credit limit.
- **Length of credit history** is just that. How long have you had credit in your name?
- **New credit** monitors whether you try to open too many credit accounts in a short period of time. Think about this when you get offers for new accounts and balance transfers.
- **Credit mix** considers the variety of credit you use, such as credit cards and student debt, and term loans for car and home purchases.



Your credit score is NOT influenced by your gender, race, age, marital status, medical history, criminal record, salary or occupation.

## How to Boost Your Credit

There are steps you can take to get on track and stay there with your credit.

- **Know what you don't know.** Get started by studying your current credit situation for ways to get better. Also, get a copy of your credit report and familiarize yourself with how credit bureaus see your history.
- **Pay your bills on time.** Take steps to ensure that you can stay current on your bills.
- **Change your credit card habits.** It's convenient to use your credit card for small purchases, but they can add up. A good rule of thumb is to charge less than 35% of your available credit. A higher percent balance will negatively affect your score. Pay cash for the small stuff.
- **Don't close your credit cards.** As you strive to improve your credit history, you might be tempted to just close out some cards. But that affects 'length of credit history' and could have a negative impact on your score. Take the cards out of your pocket book, but don't close the accounts.
- **Don't expect instant success.** Your credit history is a work in progress and it takes time to see significant improvements in your score.
- **Get help if you need it.** We've got resources on paying down debt and credit counseling on the Thriving in Love and Money website.

## The Scoop on Credit Bureaus

There are three major credit bureaus: TransUnion, Experian and Equifax. They each compile credit reports, but don't be surprised if your report varies for each. It's normal if this happens to you and results from different information being reported to the three bureaus and different formulas being used to calculate your information. Also, be aware that your credit score will not appear on your credit report. You may have heard of the FICO® score, which can vary yet again from your scores from the three credit bureaus. It has to do with how the scores are calculated.

## Know Your Credit Report

Your credit report contains your credit history, which you should review at least annually. Check for errors and verify your name, address and Social Security number. Also confirm any new activity, especially if it looks unusual.

You can get a report from each of three credit bureaus (Experian, Equifax and TransUnion) at [annualcreditreport.com](http://annualcreditreport.com). It's smart to stagger those reports by ordering one every four months to look for unusual or incorrect information, and get it corrected right if you spot something.

## What Are Soft Credit Inquiries?

Also called promotional inquiries, they appear on your credit report but don't affect your credit score. If you are shopping for auto/home insurance, for example, the insurance company will look at your credit to gauge your risk. It may happen when you are applying for an auto loan or leasing an apartment as well.