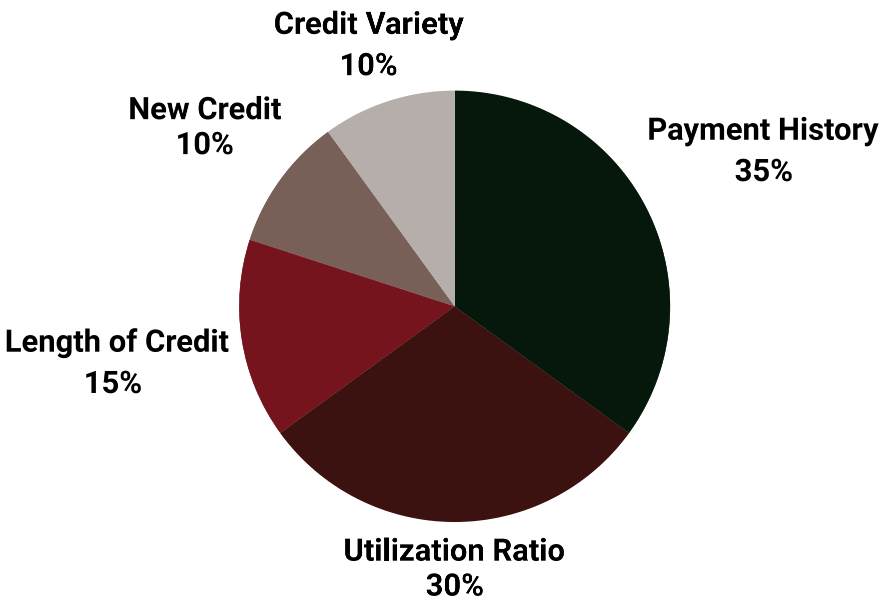
Maintaining Your Credit Score

A credit score is a three-digit number, usually between 300 and 900, that represents your credit risk or how likely you are to pay your bills on time. Lenders and creditors use credit scores to help decide whether to approve you for new accounts and to determine the interest rates and terms you'll receive. In general, higher credit scores lead to more favorable credit offers.



> *Your payment history and utilization rate make up 65% of your score.*

Key Factors That Affect Your Credit Score

Payment History: The most important factor. Shows whether you've made on-time payments and includes records of missed payments, bankruptcies, and collections.

Utilization Ratio: This shows how much of your credit limits you're actually using (your balance divided by your total limit) — keep it 30% or lower helps increase your score.

Length of Credit: This is how long your credit accounts have been open; longer histories boost your score by showing proven, responsible credit use over time.

New Credit: Multiple hard inquiries in a short time can lower your score, as they may signal higher credit risk. Soft inquiries (like checking your own score) don't affect it.

Credit Variety: A combination of revolving accounts (credit cards) and installment loans (mortgages, car loans) demonstrates your ability to manage different types of credit.

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Tips For Improving Your Credit Score

1. Payment History

• Set up automated payments to avoid missing any minimum payments. This is the most significant factor in your credit score.

• Missing payments, such as mortgage payments, can result in an automatic decline if you apply for another mortgage.

2. Utilization Ratio

• Use no more than 50% of your available credit limit. For example, if you have a credit card with a $10,000 limit, avoid spending more than $5,000 at a time.

• Staying below 30% of your limit, especially if carrying a balance, can improve your score.

• Accepting credit limit increases from your provider can reduce your utilization ratio and positively impact your credit score.

3. Length of Credit

• The longer your credit history, the better.

• Avoid closing old credit accounts, even after paying off the balance, as this can negatively affect your score.

• Lenders typically want to see a minimum of two years of credit history.

4. New Credit

• Applying for new credit can demonstrate recent financial activity, but excessive applications in a short period may suggest financial difficulty.

• Use your credit regularly to show active management.

5. Credit Variety

• Lenders prefer borrowers who can manage different types of credit, such as credit cards, lines of credit, and mortgages.

• Aim to have at least two types of credit to demonstrate financial versatility.

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