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How To Fix Your Credit Score In 6 Steps

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A great credit score gives you several advantages when you're ready to [buy a home](#), including access to lower-interest mortgage rates. On the other hand, a lower credit score might have negative implications during the home buying pro

The [credit score required to buy a home](#) depends on the type of loa but the higher your score is, the easier it will be to get a mortgage lc

Let's review what a credit score is and how you can repair damaged credit to help you successfully buy your dream home.

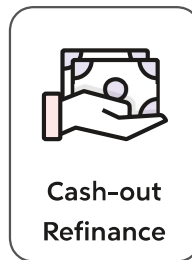
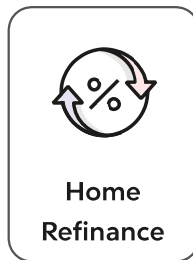
What Is A Credit Score?

A credit score is a numerical rating that tells a lender how responsible you are when you borrow money. High credit scores tell lenders that you pay your bills on time and you don't borrow more money than you can pay back.

On the other hand, low credit scores indicate you may be a credit risk. Lenders see that you may sometimes miss payments, you might overextend your line of credit regularly, your account is very young or your spending habits are unpredictable.

Equifax®, Experian™ and TransUnion® are the three major reporting bureaus that gather data on your spending habits and calculate a score for you based on your unique spending and bill-paying habits. Each bureau can have a role to play in how others assess your credit history. Mortgage lenders will often order what is called a [tri-merge credit report](#), combining all three reports into one, in order to help assess how qualified you are for a mortgage.

See What You Qualify For



Get Started

How Do You Find Your Credit Score?

Under the Fair Credit Reporting Act (FCRA), you're entitled to one free report from all three of the major credit reporting bureaus once ever

You're also entitled to a free credit report if you receive government assistance, you believe that someone has stolen your credit or identity or you're unemployed and plan on looking for a job soon.

You can view your credit report by visiting AnnualCreditReport.com and requesting your free credit report. You can also order your credit report by calling (877) 322-8228 or by completing the [Annual Credit Report Request Form](#) and mailing it to the Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281.

How Is Your Credit Score Determined?

Your credit score is a combination of data from all three of the credit reporting bureaus. Each bureau may give you a slightly different score depending on which lenders, collection agencies and court records report to them, but your scores should all be similar. The following is a rough breakdown of how credit bureaus calculate credit scores:

- **Payment history (35%):** Your payment history includes factors like how often you make or miss payments, how many days on average your late payments are overdue and how quickly you make an overdue payment. Each time you miss a payment, you hurt your credit score.
- **Current loan and credit card debt (30%):** Your current debt comprises factors like how much you owe, how many and the types of cards that you have and how much credit you have available. Maxed-out credit cards and high loan balances hurt your score, while low balances raise your score – assuming you pay them off.
- **Length of your credit history (15%):** The longer your credit history, the higher the probability that you'll follow the same credit patterns. A long history of on-time payments improves your score.
- **Account diversification (10%):** Creditors like lending to borrowers who have a mix of account types, including home loans, credit cards and installment loans.
- **Recent credit activity (10%):** When you open a bunch of cards or request a sudden increase in credit, creditors may believe that you're in financial trouble. Don't apply for multiple accounts at once, or your credit may take a hit.

How To Repair Your Credit

If you have a low credit score, don't panic. Your credit is something t you can change your score for the better. After you understand your

calculation and you know your score, use a method or series of methods from our list below to start improving your credit.

1. Check Your Credit Report For Errors

Many Americans live with errors on their credit report and don't even know it. According to a U.S. Federal Trade Commission (FTC) report, about one in every five consumers has some kind of "confirmed material error" on their credit report. These errors are rarely beneficial, and they lower your score when it should actually be higher.

Some of the most common errors include:

- The inclusion of accounts that don't belong to you.
- A report that a closed account or a paid-in-full loan is still open.
- A report that inaccurately lists a missed payment.
- The inclusion of outdated credit utilization information.

Before you start a credit repair plan, make sure that your low credit score isn't the result of a mistake. Pull each of your credit reports and carefully check each one for errors. Your credit reports include instructions on error reporting processes.

If you do notice something that you believe is an error, your credit bureau must investigate any dispute that you make and report their findings back to you. If the credit bureau finds that what you've reported is actually an error, they remove it and raise your score.

2. Focus On Small, Regular Payments

Your payment history is the biggest single factor that makes up your credit score because it comprises about 35% of your score's calculation. This means that one of the quickest ways you can raise your score is to make minimum payments on all of your accounts every month. Ideally, you should also pay off each of your outstanding credit card balances before they're due. This lowers your revolving utilization and helps you save on interest in the long term.

Take control of your credit cards and create a plan to make minimum payments on all of your accounts every month. Most credit card companies allow you to set up text alerts to get a notification when a minimum payment is due soon, and schedule auto-payments in advance with most cards so you never miss a payment.

If you have cards open but you don't use them, resist the temptation to close them. Closing credit lines lowers your available credit and increases your revolving utilization percentage. Instead, charge a small item – like a cup of coffee or a pizza dinner – once a month and pay your bill off immediately.

3. Reduce Your High-Balance Accounts

You'll see your credit score rise if you reduce the amount you owe on your credit cards. Your revolving utilization makes up 30% of your credit score, so it's worth it to put any extra money in your budget toward debt reduction.

Sit down with your credit statements and make a list of everything that you owe and remember to include each one of your cards on the list. Then, take a look at your budget and look for places where you can afford to cut back. Even if you only find another \$20 a month, every dollar you put toward your debt will raise your score over time.

Finally, avoid spending extra money on your credit cards if at all possible while you reduce your debts.

4. Consider A Debt Consolidation Loan

A debt consolidation loan (typically a personal loan) or balance transfer takes all of your outstanding debts on different accounts and combines them into a single monthly payment.

This may help improve your credit utilization rates and can help you avoid missed payments. A debt consolidation loan or balance transfer can be a great option for you if you have multiple lines of credit that you have trouble keeping up with.

You make a hard inquiry on your credit report when you apply for a debt consolidation loan. This means that your credit score will usually drop by a few points immediately after your inquiry. Focus on making on-time payments above the minimum required amount after you get your debt consolidation loan.

5. Work With A Credit Counseling Agency

Credit counseling agencies are companies that can help you analyze your finances and find realistic solutions for your debt and credit issues. Credit repair c your finances and suggest opportunities where you can save. They r creditors on your behalf and negotiate your payment amounts.

If you decide that you want to work with a credit counseling agency, or alternatively look into a credit repair company, be picky with your selection. Ask about fees, specific pricing, services and products and avoid companies reluctant to provide upfront information on their pricing structures or debt-reduction tactics.

You can find affordable and reputable assistance from a nonprofit credit counselor through the [National Foundation for Credit Counseling](#).

6. Build Toward A Target Credit Score

Once you know your score and the steps you're willing to take to repair it, you can then decide on a plan to see how aggressively you should try to improve your score. Though a higher score is always better, most consumers aim to get their credit score into the "good" threshold or above.

While ranges will vary slightly between the FICO® and VantageScore® 3.0 score models, 850 is the highest possible credit score for both. The credit score ranges for FICO® impact may include:

800 – 850	Exceptional	beneficial offers. They can sometimes even secure special individualized perks and offers from lenders.
740 – 799	Very Good	Applicants with "very good" credit will have a variety of options to choose from when it comes to products and pricing.
		According to data from

Tips To Fix Your Credit Score: At A Glance

1. Check your credit report often and look for errors.
2. Focus on small, regular payments and control your spending.
3. Reduce your high-balance accounts and use credit cards sparingly.
4. Consider a debt consolidation loan.
5. Work with a credit counseling agency.
6. Build toward a target credit score.

The Bottom Line: Take Control Of Fixing Your Credit Score

Whether you're looking to finance a home or take out another type of loan, it's a good idea to work toward improving your credit. Fixing your credit score doesn't happen overnight, but there are plenty of small steps you can take every day to fix and maintain a solid credit score.

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Victoria Araj is a Section Editor for Rocket Mortgage banking, public relations and more in the company. She holds a bachelor's degree in

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¹Based on Rocket Mortgage data in comparison to public data records.

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