

Want to boost your credit score? Break it down.

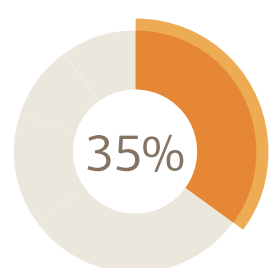


You probably know a higher credit score can make you a more desirable loan candidate. But what really goes into your score—and how can you boost an area that’s lacking?

Here’s a breakdown of how FICO, the most commonly used credit scorer, determines your number, and what you can do to improve it.



* National average as of August 2014. Source: myfico.com



Payment history

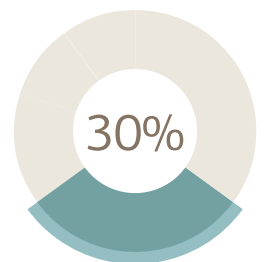
Before lenders extend credit to you, they want to know if you pay your bills on time.

Boost your score: Tame tardiness.

Paying a bill 30 or more days late could lower your score by around 100 points.

Particularly serious issues in this category include:

- bankruptcies (which can stay on your credit history up to 10 years)
- judgments (which can stay on your credit history up to 7 years)
- collection accounts
- uncollected debts
- foreclosures
- wage attachments or garnishments
- tax liens

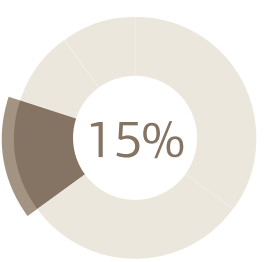


Amounts owed

This category looks at how much you owe on credit cards and installment loans, as well as what you owe on other types of accounts.

Boost your score: Don’t max out.

Having credit accounts and using them isn’t a bad thing. But if you’re close to maxing out your accounts, you may be overextended—and considered more likely to default. Your credit score may improve as you pay your debts, leaving more of your available credit unused.

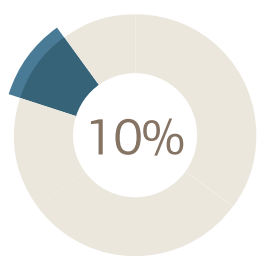


Length of credit history

A scorer considers the age of your oldest account, the age of your newest account, and the average age for all of them. It also considers how long it has been since you used your accounts.

Boost your score: Keep the old.

In general, a longer credit history means a higher score, so it can make sense to keep older credit cards active, even if you don’t need them. Think twice before opening new accounts, since they lower your average account age. That said, FICO notes, even people who are newer to credit may have high scores, depending on the rest of their report.

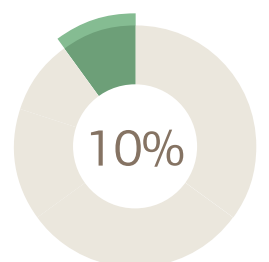


Types of credit

Lenders see a mix of credit—for instance credit cards and a mortgage—as a good thing because this can indicate you can manage more than one type of loan at the same time.

Boost your score: Mind your mix.

FICO notes it probably isn’t effective to open new accounts just to try to pump up your score. But in general, having credit cards and installment loans (such as a mortgage or car loan), and paying them on time, boosts your score.



New credit

Research shows that people who open several credit accounts in a short period may be higher credit risks than those who don’t, according to FICO.

Boost your score: Avoid asking for more.

This is a pretty small portion of your total, so you may not want to be overly concerned about this category. Even so, it’s generally a good idea not to ask for credit line increases too often, since that triggers an inquiry. Checking your own score has no impact, though: You can even sign up for a credit tracking service that continually monitors your score.

Keep it in perspective.

Keep in mind that these percentages are approximate, and scoring can vary: For example, people who are new to credit are factored differently than longtime users. As your use changes, so does the importance of each factor. One thing’s for sure: If you always pay on time and avoid maxing out your cards, you’re already on the right track.



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