



The Importance of Managing Credit Scores

Yes, your credit score is important. It's a numerical representation of how likely you are to repay a loan. In fact, your credit score is one of the key elements that lenders, like us, use to determine your creditworthiness when applying for a vehicle, personal, credit card, or mortgage loan. The top [FICO](#) score you can reach is 850, and higher credit scores typically qualify you for larger credit limits, as well as lower interest rates.

The Consumer Financial Protection Bureau recommends you [review your credit report](#) at least once a year, or more often if it's suspected that you have become a victim of fraud or identity theft. Now is a great time to review your overall credit report, and take any necessary steps to move your score in a positive direction before the upcoming holiday shopping season.

Know that a few factors can hurt your credit score, such as using more than 30% of your credit cards' credit limits, closing an old account, or applying for too much credit over a short period of time.

On the other hand, there are several ways to help achieve and maintain a healthy credit score:

Check your credit report. This one is important, so we're repeating it. Under federal law, consumers may obtain a free report from each of the three national credit reporting bureaus (TransUnion, Equifax, Experian) every 12 months. You can also request your report from [AnnualCreditReport.com](#). Make sure to review all credit reports thoroughly for accuracy.

Pay all bills on-time. When it comes to improving your credit score, paying all of your bills on-time, every month, is crucial. It helps establish a positive repayment history.

Keep your credit utilization under 30%. Responsibly using credit cards is a good way to keep your credit score healthy, but try not to use more than 30% of your available credit at any given time.

Leave old debts on your credit report. Once you finally pay off a debt, you might be tempted to eliminate it from your credit report. Not so fast. As long as your payments were timely and complete, those old debt records can help your score.

Begin using credit early. Don't wait to start using credit. Even if you open one credit card, and then charge and pay off a small amount each month, you'll begin building a solid credit foundation.

Diversify your credit usage. Consider financing a vehicle or consolidating credit card debt with a personal loan. Consistent on-time payments and successful completion of loan obligations for different types of credit can help improve your score.

The bottom line. Individuals with high credit scores are considered lower-risk borrowers, with more lenders competing for their business by offering better rates, fees, and benefits. A healthy credit score could save you hundreds of thousands of dollars over the course of your lifetime.