The Best Ways to Improve Your Credit Score

Having a good credit score opens up more financial opportunities for you. It makes it easier to rent an apartment or buy a house, take out a loan or sign up for a credit card, and achieve a number of other important life milestones. If you're looking to improve your credit score, there are several easy steps you can take. But first, here's a quick overview of what a "credit score" refers to.

What is a credit score and credit report, and why does it matter?

Your credit score, also called a FICO score, is a number between 300 and 850. The higher the number, the better: a score of 740 to 799 is considered very good, though the average is closer to 700. FICO is an acronym for Fair Isaac & Co., the company that is responsible for tabulating your credit score.

Each of the three main credit agencies – Experian, Equifax, and TransUnion – have a score for you based on your credit report at that individual agency. The agencies tend to have different information on the people they track, which means your credit report and score will vary from agency to agency. Under federal law, you can request one free credit report per year from each of these three agencies at once by visiting the official **annual credit report website.**

Knowing what's in your credit report(s) is important, because the scores that result from it are what potential creditors, landlords, and insurers look at for an instant judgement on your creditworthiness.

Lenders believe that people who are creditworthy will pay back what they owe. That's why better credit reports and higher credit scores make it easier – and cheaper – to borrow.

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Now that you understand what a credit score is, here are some ways you can improve it!

Check your credit report for errors

According to the **Federal Trade Commission**, one in five consumers has an error on their credit report. These errors can include incorrect information about your payment history, accounts that do not belong to you, or incorrect personal information. If you find an error on your credit report, you should dispute it with the credit reporting agency to ensure that incorrect information isn't affecting your credit score.

Pay your bills on time

One of the most important factors in determining your credit score is your payment history. Late payments can have a significant negative impact on your credit score. To improve your credit score, make sure you pay all of your bills on time. If you are having trouble paying your bills, you may want to consider setting up automatic payments or **creating a budget** to help you manage your expenses.

Reduce your credit utilization

Another key factor in determining your credit score is your credit utilization ratio. This is the amount of credit you are using compared to the amount of credit you have available. To improve your credit score, you should generally try to keep your credit utilization ratio below 30%. For example, if you have a credit card with a $10,000 limit, you should try to keep your balance below $3,000.

However, it's important to remember that this is a general guideline, not a rule. What is best for your personal financial situation may differ.

Don't close old credit accounts

The length of your credit history is another important factor in determining your credit score. If you close an old credit account, you may shorten your credit history, which can negatively impact your credit score. Even if you are not using an old credit account, it may be beneficial to keep it open to maintain a longer credit history.

Apply for new credit sparingly

When you apply for new credit, the lender will typically check your credit report, which can temporarily lower your credit score. To avoid lowering your credit score, try to limit the number of new credit applications you submit. Only apply for credit when you need it and when you are reasonably confident

that you will be approved.

Use different types of credit

Having a mix of different types of credit can also improve your credit score. For example, having a **mortgage**, a **car loan**, and a **credit card** can demonstrate to lenders that you are capable of managing different types of credit responsibly.

If you're looking to boost your credit score (or start building one), you might consider a **credit card with Hills Bank**. Our standard VISA® Platinum Credit Card features low rates and no annual fee, giving you a great opportunity to enjoy the convenience of buying on credit – while also building your own.

If you have other questions about credit, feel free to reach out! You can get in touch with us via the chat button below or by calling **1-800-445-5725 (1-800-HILLSBK**).

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