Understand your credit score

Banks, credit card companies and other businesses use credit scores to estimate how likely you are to pay back money you borrow.

A higher score makes it easier to qualify for a loan or lower interest rates. Many scores range from 300-850, but different companies use different ranges.

You have many credit scores

You can have more than one score, because:

- Lenders use different scores for different products.
- There are many different credit scoring formulas.
- Information can come from different credit reporting sources.

For example, your credit card score could be different from your home loan score, and the scores you purchase online could be different from both of those.

For some people, these differences aren't that big. But because lenders use different scores, you might qualify for lower rates with one lender and not another. It can pay to shop around.

Where do credit scores come from?

Your credit scores are generally based on information in your credit reports. This information is reported by your creditors to credit reporting companies. The three biggest are Equifax, Experian and TransUnion.

Several variables affect your credit score:

- How many credit accounts you have
- How long you've had those accounts
- How close you are to your credit limit
- How much credit you have left
- How often your payments have been late
- Other factors

How to raise your score

- **Pay your bills on time, every time.** One way to make sure your payments are on time is to set up automatic payments, or set up electronic reminders. If you have missed payments, get current and stay current.
- **Don't get close to your credit limit.** Credit scoring models look at how close you are to being "maxed out," so try to keep your balances

low in proportion to your overall credit limit. Experts advise keeping your use of credit at no more than 30 percent of your total credit limit.

- **A long credit history will help your score.** Credit scores are based on experience over time. Your score will improve the longer you have credit, open different types of accounts, and pay back what you owe on time.
- **Be careful closing accounts.** If you close some credit card accounts and put most or all of your credit card balances onto one card, it may hurt your credit score if you are using a high percentage of your total credit limit. Frequently opening accounts and transferring balances can hurt your score too.
- **Only apply for credit you need.** Credit scores look at your recent credit activity as an indicator of your need for credit. If you apply for a lot of credit over a short period of time, it may appear that your economic circumstances have changed for the worse.

Your credit report matters as much as your score

Mistakes in your credit reports could hurt your credit history and credit score, so check them regularly. You can get one free credit report from each of the big three credit reporting companies every 12 months. Go to annualcreditreport.com or call **877-322-8228**.

When you get your report, look for:

- Mistakes in your name, phone number, or address.
- Loans, credit cards, or other accounts that are not yours.
- Reports saying you paid late when you paid on time.
- Accounts you closed that are listed as open.
- The same item showing up more than once (like an unpaid debt).

How to fix mistakes

If you find something wrong in your credit report, you may contact both the credit reporting company and the creditor that provided the information. Explain what you think is wrong and why. Include copies of documents that support your dispute.

Your credit reports will come with instructions on how to dispute mistakes.

Submit a complaint

Have an issue with a financial product or service? We'll forward your complaint to the company and work to get a response from them.

Online
consumerfinance.gov/complaint

By phone
(855) 411-CFPB (2372)
(855) 729-CFPB (2372) TTY/TDD

By fax
(855) 237-2392

By mail
Consumer Financial Protection Bureau
P.O. Box 4503
Iowa City, Iowa 52244