# Your Credit Score

## Improving Your Credit Score

**What makes up your credit score?** FICO scores are based on specific credit history, with hundreds of inputs used to find your score. Here are the five main parts of your credit score.

### Payment History : 35% of your credit score

Payment history measures how you've paid on your debts. Payment history is the largest part of your credit score because if you've recently missed payments to your creditors, it's likely those missed payments will continue, and may lead to default. Payment history also measures how “severe” a missed payment has been. An item in collection is worse than an item paid 30 days late.

**Tips to improve:**
Make payments on time, all the time — even items in dispute. Pay the bill and worry about refunds later.

### Amounts Owed : 30% of your credit score

Amounts owed measures how “maxed out” you are. This is the second-largest part of your credit score because a person who is maxed out has no safety net in the event of a crisis. Amounts owed is not about the dollar amount, but the amount you're borrowing relative to the total available to you.

**Tips to improve:**
Don't close out "old" credit cards, and don't lower your available credit limits. Having access to credit is good.

### Credit History Length: 15% of your credit score

Your credit history is your track record of managing credit. Credit history matters in the FICO model because “experienced users of credit” are viewed differently from new users of credit. Similar to the hiring process for a job, the credit bureaus want to see this isn't your first experience.

**Tips to improve:**
Don't close cards with “history”. You need them to show you're experienced with credit.

**Tip:**

Don’t close “old,” no-fee credit cards when you’re done with them. Instead, use them periodically, and pay your balances in full. This builds credit history and credit length.

### New Credit : 10% of your credit score

This category accounts for your recent attempts to secure new credit. In general, the more credit for which you've applied, the more damage it will do to your credit score. This is truer for credit cards than for mortgage applications. A consumer in search of new credit cards is presumed to "need" more credit lines, which is not viewed favorably.

**Tips to improve:**
When you shop for a mortgage, multiple credit checks can count as a single credit inquiry, protecting your credit score.

### Types of Credit : 10% of your credit score

The type of credit you carry matters, and not all credit types are the same. Installment loans such as mortgage loans and student loans, for example, are considered “better” than credit cards and charge cards. This is because installment loans eventually pay down to zero. Consumer cards, by contrast, are likely to go up.

**Tips to improve:**
Don't carry an abundance of store charge cards. Interest rates are high and the FICO model looks unfavorably upon them.

### Quick Tips

**Keep clear of credit limits.**
Carrying a $500 balance on a credit card with a $500 limit is bad for your FICO because you’re “maxed out.” Conversely, carrying $500 on a card with a $5,000 limit is good. Keep you balance ratios under 30% for best results.

**Resist “cash register” offers.**
Many retail stores offer discounts for “opening up a store charge card.” The discounts are tempting, ranging up to 25% of your purchase price. To receive your discount, however, you’ll be subject to a credit inquiry for a charge card that will be nearly maxed-out from the outset. These are each negative for your FICO. If you’re buying a home sometime soon, you may save more money by passing on the in-store offer.