Top 3 Factors That Affect Your Credit Score

A credit score isn't a figure that is randomly assigned based on a person's credit behavior. Five factors are used to analyze a person's credit behavior and assign a score. Each factor accounts for a percentage of an individual's credit score.
In this article, I will be discussing the top three factors that affect your credit score.

Payment history — 35%

Payment history is the most important factor in determining your credit score. It accounts for 35% of your FICO® score (which is the credit score adopted by most top lenders). A look at your payment history can help lenders determine if you are reliable and can be trusted to make payments consistently and on time.

Multiple missed or late payments can leave a dark mark on your credit score. A single missed payment is enough to reduce your credit score considerably.

Thus, making payments on time is essential to getting and maintaining a high credit score. Setting up alerts can help you keep track of bills and ensure that you never accidentally miss a payment.

Credit Utilization Ratio — 30%

Your Credit utilization ratio is the percentage of your total available credit that is currently being used. It shows how much debt you have in relation to your available credit limit. Your credit utilization ratio is measured by dividing the outstanding balance on all your credit cards by your total credit limit.

Credit utilization accounts for 30% of your FICO score and is the second most important factor in determining your credit score. It shows potential lenders how equipped you are to manage new credit.

The lower your credit utilization, the better it is for your credit score. According to Experian, you should aim to keep your credit utilization ratio below 30%.

Length of Credit History —15%

The third most essential factor in determining your credit score is the length of your credit history. The length of a person's credit history gives creditors a glimpse of their credit behavior. It shows how long you've had credit accounts and it makes up 15% of your FICO score.

Factors that are considered while determining the length of a person's credit history include the age of your most recent account, the age of your oldest account, and the average age of all your accounts. score

Older credit history typically attracts a higher credit score than shorter ones. For instance, a long track record of timely credit payments will convince creditors of your credibility more than a shorter record. This is why some financial experts advise that you leave older credit cards open, even if you are no longer using them.

Conclusion

The two other factors that influence credit score are the types of credit you hold and the number of new credit accounts you hold. They each account for 10% of your FICO score.
Your credit behavior can change your credit score for the better or for the worse. Following good credit practices like timely debt payment and keeping a low debt-credit ratio will help you not only get but also maintain a high credit score.