Improve Your Credit Score And Develop a Solid Credit History

The first thing to remember is that your credit score can vary from month to month-even day to day, sometimes. This is because it is calculated based on the credit data available for you at the credit bureau on the day the score is requested by a lender.

But there are some specific ways to improve your credit score. First, when a lender receives your credit score, it includes "score reason codes" to explain the top reasons your score was not higher. These codes can give you an idea of how you should start improving your score, such as closing unused credit accounts or being more diligent about making payments on time.

Additionally, here are some general suggestions to help you develop a solid credit history and influence your score for the better:

- Pay your bills consistently and on time. And take heart-the scoring models all take into account the fact that everyone misses a payment once in a while. Also, negative information loses its potency over time: a recent late payment is weighted more heavily than a late payment four years ago.
- Check your credit report and remove any errors. By making sure that only your accurate credit history appears on your report, you ensure that the credit score it generates isn't lowered by inaccurate information.
- Keep your debt reasonable. One rule of thumb: for a good credit score, your account balances should be below 75% of your available credit. For example, if you have a $2,000 credit limit, you should have a balance of no more than $1,500.
- Maintain only a reasonable amount of unused credit. While it's good to have a cushion of credit available, having ready access to thousands of dollars of debt makes you a poorer credit risk.
- Avoid too many inquiries. Inquiries are interpreted as a sign that you have been actively seeking credit, and may be in financial difficulties or in the process of overextending yourself.