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What should you do if your credit score's taken a hit?

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Sometimes, despite your best efforts, your credit score may take a hit. Whether you got behind because of the COVID-19 pandemic or some other reason, you want to start to take steps to rebuild your finances as soon as possible. After all, your credit score is a key determining factor in what financial opportunities are available to you in the future.

First, the basics. Credit scores range from 300 to 850, and a score of 700 is considered good, while 750 or higher is excellent. These numbers make a difference not only in your rate for car loans, home loans and credit cards, but also impact everything from car insurance rates to whether you have to pay a utility deposit. Future employers may even check your credit when deciding whether to offer a job.

Here's six steps you can take to give your score a boost:

1. **Pay your bills on time – and get caught up on any outstanding payments**
   This seems really simple, yet it's the one most people mess up. Even if you've missed some payments, try to establish a record of paying at least the minimum payment – more if you can – so that your credit score reflects those recent on-time payments. You don't want unwanted collection charges showing up on your report.
2. **Pay off any bills that have gone to collections**
   These should be your top priority. You'll see your score go up once you've paid them off, but they'll stay on your credit report for seven years.
3. **Consider getting a secured loan**
   If your score is so low that you'd struggle to qualify for a credit card or other loan, this may be your best option. You're not out the cash, and the history of making payments on time can provide a massive boost to your credit score!
4. **Use your credit wisely**
   The key is to have more credit than you're using. So, you're better off to have three cards with small balances than one card that's nearly maxed out. Note that home loans aren't counted as part of this equation, but home equity lines of credit (HELOC)'s are. So pay attention to how much of your available credit you're using, and try to keep it below the magic percentage of one third.
5. **Keep your old accounts**
   Even if you've paid off a credit card, it's best to keep it if you can trust yourself to use it responsibly. Your credit score looks at the age of your accounts, so you don't want to close all your long-standing ones if you can avoid it.
6. **Limit credit inquiries**
   If you're applying for a bunch of new accounts in a short amount of time, it can be a red flag. Potential lenders may think you're having money trouble and think twice about lending you any more money. Many lenders don't like to see more than one new account every six months. If you do need to open multiple new accounts, you're best off to open them in the same month so they hit your credit report at the same time.

TTCU members can track their credit score through a feature in online banking called Savvy Money.* Your financial institution may offer a similar service, or you can check your credit score through any of the four major credit bureaus.

** Message and data fees may apply from your wireless carrier. The credit score provided is intended to help you understand the factors that affect your credit score and ways you may be able to save money with TTCU Federal Credit Union loan products. It is not used for loan approval purposes or for determining loan rates. Loan rates and approvals are based on information provided to the credit union when you apply for a loan. The credit score found in the credit report may be different than the credit score you see here. The offers presented are not offers to lend and are subject to underwriting and approval. Terms and conditions and offers are subject to change at any time.*
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