



# Understanding Your Credit

From getting approved for a loan to lower interest rates, there are many benefits to improving your credit. Use this tip sheet to learn about the factors that affect your credit score and how you can improve your score (and overall financial health!)

## How is My Credit Score Calculated?

The higher your credit score, the better. A high score indicates lower perceived risk to lenders.

Your score is developed using credit data that is grouped into five categories.

## Steps for Improving Your Score

### 1. Get Your Current Credit Report

If you haven't already, get your free report at [annualcreditreport.com](http://annualcreditreport.com) to see where you currently stand.

### 2. Reduce the Amount of Debt You Owe

Reduce or suspend use of credit cards and contact a GreenPath counselor to develop a personalized plan to pay off your highest-interest debt first.

### 3. Start Practicing Your New Healthy Credit Habits

Things like opening new accounts sparingly, managing credit card use responsibly and keeping credit card balances low are all important factors in improving and maintaining your credit score.



#### PAYMENT HISTORY

**Pay your debts on time.** This is the single most important factor of your credit score.



#### AMOUNT OWED

**Avoid using more than 30% of your available credit;** this may signal to creditors that you are at a higher risk for defaulting.



#### LENGTH OF CREDIT HISTORY

In general, a **longer credit history will increase your score.**



#### CREDIT MIX

**It's beneficial to have different types of credit** (credit cards, installment loans, auto loans, mortgage loans etc.).



#### NEW CREDIT

**Avoid opening several credit accounts in a short period of time;** this can represent a greater risk to the lender (especially for those without a long credit history).

### Credit Score Ranges

800+	Exceptional
740 - 799	Very Good
670 - 739	Good
580 - 669	Fair
< 580	Poor

**877-337-3399**

**Call GreenPath today for a free credit report review.**