

If you ever plan on making a large purchase - such as a car, house, or large luxury purchase - building credit is essential. For younger consumers, or consumers who have a short credit history (or no credit history), building credit and raising your credit score before applying for a loan could save you thousands by securing a lower interest rate. Here are a few strategies for building your credit score:



- **Check and Monitor your Credit Report:**

By law, you are entitled to receive your credit report for free one time each year from each of the three major credit reporting agencies: TransUnion, Experian and Equifax. Take advantage of those free reports and thoroughly check for errors. In particular, watch for incorrect late payments or new accounts that you never opened. If you find any errors, the report will contain instructions on how to dispute them. You can also receive your score and report on SNBT Bank Online for free.

- **Get a Credit Card and Use it Wisely:** Apply for a credit card with no annual fee, and then use it for a single recurring purchase (gas or groceries, for example). By paying off even a small balance on time each month, you'll prove to potential lenders that you are responsible and credit-worthy. The important piece of this strategy is to continue to make payments on time and to keep the credit card active for as long as possible. Closing accounts will not usually increase your credit score, and the longer you have the credit card open, the longer your credit history, which will raise your score.

- **Pay Down Debt:** One significant factor that impacts your credit score is your credit utilization ratio, which is the amount of your debt compared to how much credit you have available. One way to improve this ratio is to work toward paying down your debt faster. Start by making two payments each month on the debt that has the highest interest rate. As your total amount of debt goes down, your credit score will go up.

- **Request a Credit Limit Increase:** Another way to improve your credit utilization ratio is to increase the amount of credit you have available. The simplest way to do that is to request a credit increase on your credit card(s). You can do that by contacting your bank or the credit card company directly. The key, however, is to not use any of your new credit. If you do, it won't help you improve your credit score. The important thing is to have it available, but not utilized.

If you're struggling to raise your credit score, contact your bank for advice on how to increase your chances of qualifying for a loan. They also may have credit options available that will help you raise your score over time.