

*5 factors that play a crucial role in calculating*  
**CREDIT SCORE**



# **5 factors that play a crucial role in calculating credit score**

**By now, everyone knows and understands the power of a great credit score. It leverages you to apply for loans, as it ensures that the lender is creditworthy. A credit score is important as it really does wonders to financial lives.**

**A Credit score can differ for various reasons like the score of the company, the information of credit, and the technique used to calculate the score. Experian, Equifax, TransUnion are 3 prominent credit bureaus that provide credit scores. These credit institutes consolidate the credit repayment and credit history.**

**Lastly before moving to the topic, a good credit score generally varies between 300 to 900. And 900 is meant to be the highest credit score. Whereas, a score above 750 is assumed as an ideal score to get a loan.**

# **5 factors that play a crucial role in calculating the credit score**

- Credit Utilization Ratio (CUR)**
- Amount owed**
- New credit**
- Credit mix**
- Number of Credit Inquiries**

# 1. Credit Utilization Ratio (CUR)

**Credit Utilization Ratio is basically the percentage of available limits in the credit card. It is calculated on a monthly basis. The CUR ratio eventually has a huge impact on the credit score. The Credit Utilization Ratio will keep getting higher as and when you will use the credit card. And its impact on your score also reduces the proportionate as per its parameter's weightage. An ideal CUR is meant to be under 30 %. It likewise makes sure the timely payment of the credit card dues.**

## **2. Amount owed**

**The other crucial factor that needs to be considered is the credit amount you presently owe. The credit score procedure believes that borrowers who continuously overlook their credit limit are possibly a risk to lenders. One must utilize their credit at the ratio and percentage of 30%.<sup>6</sup> Even Though the component of credit score concentrates on the present debt amount, it keeps on differing with the kind of account you have.**

## **3. New credit**

**You surely need to take care of how many new credit accounts you are creating. This indeed hampers your credit score by 10%. Every single time you ask for a new credit account, it lessens your credibility as a borrower. The lenders might end up seeing all your hard inquiries, and it may present you as a high-risk consumer. Even, it is crucial to understand that matching your credit score with the credit accounts you hold. Which is why you must apply only for credit cards as much is required.**

## **4. Credit mix**

**You must also take care of the types of credit accounts you have. It can also impact your credit score by lessening it. According to Fair Isaac Corporation, the diverse kinds of credit accounts are finance company accounts, retail accounts, mortgage accounts, and installment loan accounts. It is important to own a set of credit accounts that shows the lender that you are capable of managing a comprehensive range of financial responsibilities.**

## **5. Number of Credit Inquiries**

**Every time you apply for a credit score, you must know your credit inquiry. Credit inquiry is based on your credit report. A couple of inquiries will not harm the credit score much. But numerous inquiries in a short time can surely cost you a low credit score. One of the favorable news is, the inquiries entirely disappear after 24 months of creating the credit report.**



# Conclusion

**These are some common factors that can highly influence your credit score. Details like bank balance, employment status, and income also have the ability to influence your loan approval.**

**Eventually, as a summary you must always keep in mind that your credit score highly depends on the usage of loan and credit card. You must always make quick payments and responsibly handle your credit card.**

**You can consider hiring a company that can look after your credit score dedicatedly. At Debt Nirvana, we also help you with professional Accounts Receivable outsourcing and Debt collection service india.**

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