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4 Actions That Will Make Your Credit Score Drop and How to Fix Them



OVM Financial

June 30, 2021

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1) You missed a payment or made a late payment.

Did you know your payment history accounts for 35% of your credit score? While most companies don't report a payment that's a few days late to credit bureaus if you pass 30 days or more, expect it to show up on your credit report.

How to fix it: Everyone makes a mistake now and then and misses a bill. You can prevent this from happening in the future (and get that credit score back up) by enrolling in automatic payments with your lenders, your utility companies, and other regular service providers. It's also not a bad idea to sign up for e-statements so you don't risk having bills get lost in the mail.

2) Your credit utilization rate has changed.

Maybe you bought a new computer, paid for a family vacation, or bought some new furniture last month on your credit card. Even if you plan to pay it off in full this month, a change in your credit utilization ratio can quickly alter your credit score. The Consumer Financial Protection Bureau recommends keeping that credit utilization ratio under 30%. That means if your credit card offers you a \$15,000 line of credit, and you spend \$4,500 or more one month, your credit score will drop.

How to fix it: While it's important to try and keep that credit utilization rate low, sometimes you'll want to make large purchases on a credit card whether for security reasons when making a purchase online or to gather credit card rewards points. Consider asking_yr

[creditor for a credit line](#) increase to avoid going over that 30% utilization rate in the future.

And, if you do need a loan, make sure you credit card isn't off AGAD



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might have put a ding in your credit score. Every time a lender makes [a hard inquiry into your credit](#), it has the potential to lower your credit score. Plus, opening that new line of credit probably shifted your credit utilization ratio, too.

How to fix it: If you're shopping around for an auto or mortgage loan, do it in a short window of time (less than 30 days). Typically credit bureaus will group such credit inquiries all together. But if you're shopping for a new credit card, keep in mind that every credit check for a new card will likely cause your score to take a hit. Also, if you're getting ready to make a big purchase, like a new home, avoid opening new lines of credit for at least a year ahead of time.

4) There's an error on one or more of your credit reports.

If you see an unexpected drop in your credit score and you haven't applied for any loans or credit cards lately, haven't made a large purchase on a card, or missed any loan payments, there could be an error on your credit report. Perhaps a lender is noting a paid-off loan as still open, or maybe a collection is showing that isn't accurate.

How to fix it: Start by [requesting free copies of your credit report](#) from the three major credit bureaus. [Check each of them carefully for errors](#), and if you find one, you can initiate a dispute with the credit bureau and also contact the lender or collections agency reporting the disputed item and ask them to correct it in their credit reporting.

Need more help getting your credit score in order? Check out our credit score improvement ebook for some tips. And once you're ready to get that mortgage loan

process started, our team of expert OVM Financial loan officers is here to help. Give us a



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