

Name _____

Boost Your Credit Score for a Mortgage: Your Path to Homeownership

Short Answer Key

1. Paying your bills on time can improve your credit score by demonstrating responsible financial behavior. Strategies to ensure timely payments include setting up reminders, using automatic payments, and creating a budget to manage expenses.
2. Credit utilization is the amount of credit you're using compared to your total credit limit. High balances relative to your credit limits can negatively impact your credit score. To reduce credit card balances, you can make larger payments, avoid unnecessary credit card use, and prioritize paying off high-interest debt.
3. The length of your credit history positively impacts your credit score because it reflects your experience in managing credit over time. To maintain a positive credit history, keep old credit card accounts open, avoid closing them, and continue using credit responsibly.
4. Diversifying your credit mix involves having different types of credit accounts, such as credit cards, installment loans, and retail accounts. This diversification can positively impact your credit score by demonstrating your ability to handle various types of credit responsibly. Achieve diversification by opening different types of credit accounts over time.
5. Striking a balance between applying for new credit and avoiding too many hard inquiries involves applying for new credit only when necessary and being mindful of how it might affect your credit score. Consider the potential benefits and drawbacks before applying for additional credit.

