9 reasons your credit score might have dropped

1. You didn't pay your credit card bill on time
2. You charged too much to your credit card
3. You applied for more credit
4. You paid off a loan
5. You maintain card balances on purpose
6. You closed a credit card
7. You have a mistake on your credit report
8. You were the victim of identity theft
9. Your authorized user or co-signer slipped up

1. You didn't pay your credit card bill on time

Because your payment history counts for 35% of your FICO score, if you miss a payment or pay it more than 30 days late it can really ding your score.
The obvious fix for this is to not make any late payments – and to certainly not miss any altogether. You might want to consider putting your credit card payments on autopay to avoid this score killer.

2. You charged too much to your credit card

Bottom of Form

Credit utilization – or how much of your available credit you're actually using – accounts for a hefty 30% of your FICO score.

If you're using most of your credit, your score could drop, and if you make a very expensive purchase it will make your utilization ratio higher.

According to Bankrate, borrowers with high credit utilization ratios are less likely to meet their credit obligations than those with lower ratios, so it's always a good rule of thumb to keep your utilization ratio as low as possible – and at least less than 30%.

3. You applied for more creditIf you recently applied for more credit and the lender checked your credit, it can cause your score to drop.

Luckily, new credit accounts for only 10% of your FICO score, so one hard inquiry won't make a huge difference. (It typically lowers your score by five points or fewer, and the credit score impact of a hard inquiry lasts only one year.)

But if you've had a bunch of hard inquiries in a short time period, it will likely cause a more significant drop in your score. It sends a signal that you're looking for more credit, which could spook lenders into thinking you won't be able to pay down any debt you have already.

4. You paid off a loan

It might sound crazy that paying off debts could lower your credit score, but it's true.

Your mix of credit accounts for 10% of your FICO score – and the more diverse your mix of accounts is, according to FICO, the higher your score.

So let's say you had a lot of credit cards but only one installment loan – if you pay that off, it could temporarily cause your score to drop a bit because your credit mix will no longer be as varied.

Keep in mind that the history of your installment loan will continue to affect your credit – meaning if you had any late payments they will continue to show on your report and could ding your score.

5. You maintain card balances on purpose

Lynch said he's met many consumers who were maintaining credit card balances because they thought that would help their score – rather than the opposite – even though they had the ability to pay their balances in full.

These people were all confusing keeping a balance with needing to show a minimum amount of account activity so the issuer wouldn't close the account, Lynch added.

"The remedy there is obvious," Lynch said, "Pay the accounts to zero and watch your score increase."

6. You closed a credit card

If you close a credit card account, you'll lose its available credit. That may increase your credit utilization ratio (and lower your credit score), depending on whether or not you carry balances on your other credit cards.

Additionally, closing an older account could eventually lower your average age of accounts, though accounts in good standing stay on your credit report (and are counted in your length of credit history in FICO's scoring model) for 10 years.
If you're planning on applying for credit any time soon, don't close any account you've had open for many years. Instead, keep it open and don't run up the balance.

Lynch said he has seen some consumers closed some old, high-interest accounts thinking they'd save money and somehow help their score.

"Then they discover that closing the older accounts hurt their score in a big way, because it impacted them in multiple categories – credit usage, average age of accounts, etc.," he noted.

In those cases, the best healer is time, but becoming an authorized user on someone else's account could expedite the recovery, he said.

An authorized user on a credit card account benefits from the primary's healthy use of the account. If the primary account holder keeps the balance low, relative to the credit limit, and pays on time each month, the authorized user's score also benefits, he added.

Making all payments on time on any credit cards that remain, then requesting credit limit increases when the time is right could also be a quicker fix, according to Lynch.

7. You have a mistake on your credit report

Credit bureaus make mistakes – and those mistakes could significantly ding your score.

Depending on how bad the mistake on your credit report is – from a clerical error on your name to not taking off bad debts when it's time – it could hurt your ability to get more credit and better interest rates and loan terms.

It is crucial to keep on top of your credit report – and to immediately fix any errors you find.

8. You were the victim of identity theft

Being the victim of identity theft can cause your credit score to take a nose-dive fast. If a thief maxes out your card, that could result in both high credit utilization and missed payments.

If you are checking your credit report for errors, identity theft will make itself apparent pretty quickly.

To help catch and prevent identity theft, you might consider using a credit monitoring service or putting a fraud alert on your credit reports.
A credit monitoring service will alert you when there is any change made to your credit reports. At the same time, putting a fraud alert on your accounts will ensure that anyone who wants to open an account in your name must verify their identity.

9. Your authorized user or co-signer slipped up

If you add an authorized user to your credit card, that person's use of your card account can directly affect your credit score.

Similarly, when you co-sign on a loan or credit card, you're promising to pay that debt off if the borrower defaults on payment – in essence, you're taking on the loan yourself as far as your credit score is concerned.

If an authorized user rings up a high balance on your credit card, that can send your credit utilization skyrocketing and reduce your score. And if a co-signer misses a payment on a loan or card, that could send your credit score spiraling downward, according to Experian.

If your score drops, don't panic

Now that you know some reasons your credit score could drop, you might not freak out when it happens – and you can try to figure out why it happened.

In general, if your credit score dips a bit, don't worry too much because it could be from something as simple as a few hard inquiries on your account.

Good credit habits will ensure it goes up again, so make sure you always pay your bill on time, keep your balances low, check your credit report for errors and be selective about applying for new credit.