

## Got Bad Credit? Get an Installment Loan

You cross your fingers as you open your credit score site.

And then log in, just to find the monster that haunts your nightmares.

The screen flashes those three digits and the rating that goes with it: *522, poor credit score*.

How can you fix this? Well, the answer is easy enough, you can use installment loans!

An installment loan is a lend that allows you to borrow a certain amount of money and pay it back in a series of *installments* (hence the name, installment loan) on a monthly schedule. Student loans, auto loans and even mortgages are all types of installment loans.

Taking out loans like these can help a low credit score over time. How? Well credit scores are based upon your history of borrowing money and paying it back, therefore, taking out an installment loan and paying it back will raise your credit score.

Sounds pretty easy, right?

Well, it's not that simple, as this may not drastically increase your FICO score, and it won't fix your score overnight. However, there is one way to drastically increase your credit with one method of using installment loans.

One process that can boost your credit score within a few months is by using credit cards with a high levels of credit utilization. Taking out an installment loan to pay off these credit card balances can significantly raise credit scores rather quickly.

How does this work?

Well, credit card balances account for 30% of FICO credit scores, thus, maxing out credit cards or using having extremely high utilization rates can lower your scores. Therefore, taking out an installment loan to pay of these credit card balances can be beneficial towards credit scores.

The loan that needs to be taken out to pay off these balances is debt consolidation loan, which is a loan you can use to pay off high credit card balances. While paying off these installment loans, remember to keep your credit usage on the down-low. Keep your utilization rates under 30% as it will help you improve your score as well. In addition, keep up with installment payments, as missing them will lower credit scores significantly and will eventually make you pay more money at one time.

Other components that can lower your credit score in this process is knowing that taking out a loan will cause a small decrease in your FICO score no matter what. During approval of loans, your credit score can be slowly lowered, but keep in mind, when you pay these installments off, your credit will recover within a month or so. It is important to remember that these minuscule reductions in credit scores should not deter you from taking out an installment loan. Instead, make sure to space out different loans you'll be taking out, just so your credit score from before can recover from the last loan you took out.

Seeking an installment loan can be beneficial to meet a goal in life, whether it be for a car, your home or for student debt. Just make sure to pay all your installments on time, and that'll help raise your credit score.