



## Keeping Your Credit Healthy

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### Credit Fundamentals

**Keeping Your Credit Healthy** by Kyle May

#### Keeping Your Credit Healthy

Good credit history is essential to an easy way of life. But a lot of things affect your credit score and some of the biggest influences are your credit cards and your loans. How you use and maintain both your credit cards and your loans directly impact how your credit history looks. Payment is one of the most important factors. It doesn't make much of a difference if you pay the full outstanding balance every month or just the minimum payment; the part that really matters is that your payments make it to your financial institution on time. Most loans and credit card payments are recurring and therefore you can plan accordingly.



Good credit is important and to be truthful, yours can always be better. Here are some steps you can take to tackle that monster and improve your rating. One real helpful tool is automated payments. Most credit card and loan companies have online access to your bills and therefore automatic payments. This ensures that you don't accidentally forget a payment and that they are never late.

If you do happen to miss a payment you need to act on it as quickly as possible. As soon as you receive a notice of late or non-payment the first thing you need to do is contact your institution. Let them know that your payment is on its way immediately and if you act quickly enough there may not be any negative consequences.

Most importantly do not ignore a creditor's notice of non-payment. You may have ended up with late charges already, but this monster is only going to get bigger and badder the longer you wait. Contact your institution immediately and try to work out your problem. If you are good natured and honest you may even get lucky and get off the hook.

All of these tips are helpful, but the most important thing is commitment. You were mature enough to borrow money for a loan or to apply for a credit card and now you should be mature enough to make your bills your most important responsibility. Strive to make the payments and make them on time so that you can get your credit score in good standing.

On time payments are extremely important and the easiest way to jump your credit score, but building strong payment patterns is a sure way to make sure you are developing good habits. The better and more consistent your patterns, the more it becomes subconscious.

On your credit report, people will be able to see how much you have borrowed and how much you still owe. When you have good payment histories, especially large amounts on large balances they can see a pattern that conveys responsibly.

One tip that can help people not only help build a good payment pattern, but help you build credit is also a very dangerous method. So if you are going to follow these steps, be careful to not overdo it or lose sight of your goals. Step one is to charge all your normal expense on your credit card, things like food and gas. But as you make the charges on you card you need to subtract that money from checking or savings account. Now that that money has already been subtracted from your account, meaning it doesn't exist for all purposes, you can afford to pay your credit card bill in full every month.

This is a great way to improve your credit score, but like I said, you have to be careful. It is easy to lose track of what you are doing and if you succumb to that darkness you could end up at the bottom of a hole that takes years to crawl out of.

Another really important thing to keep in mind is that more credit cards do not mean more good points on your score. Quite the opposite in fact. The more credit cards you have open, the worse it looks on your score. Now that doesn't mean you can't have two or three cards, but don't go any further than that. Another thing to try to avoid is credit cards for stores or for gas companies.

These kinds of cards aren't a horrible thing, but they are unnecessary if you already carry one of the four main brands. A good Visa or American Express card will give you rewards or cash back for fuel purchases and groceries. MasterCard and Discover are better cards than anything you can pick up at BP or Sears.

Now, just like too many credit cards is a bad thing, so too is having too many outstanding loans. Having fifteen five thousand dollar loans looks horrible on your credit score. In fact, it looks worse than if you were to have one loan for the same amount as those other small loans. But that doesn't mean you should go out and sign up for one really big loan instead of a few small ones.

The most important thing you need to keep in mind is your debt to income ratio. Your credit score will never be as good as it could be if you are borrowing three times what you earn. Be responsible with loans just like you would with a credit card. If you already have a few outstanding loans one good way to set you back on the right path is a good consolidation.

Also avoid charging close to your credit limit. The closer you are to your credit limit the more dangerous it is for your credit score. Acts like these indicate that you are a willing borrower and somewhat out of control. For many lenders this is a sign of a risky loan and they will be real cautious before they offer you a line of credit. A good bar to set is sixty percent, but it would look much better if you borrowed fifty percent or less.

A good checklist and way to make sure you stay on the right path is to check your credit report annually. This is sort of like balancing your check book, only you do it annually instead of monthly. Being able to see that you are on the right track will help you stay on that good path and it will motivate you to keep going. Another good thing about this is it allows you to check for errors and if you find any it gives you the opportunity to fix them before it is too late.

However, you want to limit your inquiries on your credit report. Lenders, employers and so many other companies check your credit history before agreeing to work with you or for you.