

Watch for these credit pitfalls:

- **Credit utilization ratio.** A large portion of your credit score is dependent on the amount of credit you're using in relation to the amount you have available. Store cards usually have smaller limits, so it can be easy to use most, if not all, of the credit available to you. Ideally, you should try to use no more than 30% of the available credit on any card. The same principal applies when looking at your overall revolving credit card debt; i.e. it's better to owe a smaller amount on several cards than to use the maximum amount on one card.
- **Too much available credit.** Even people with excellent credit may run into trouble if they have ***too much unused credit available***. You may be surprised to find how much available credit you have at any given time. For example, if you used a 12 month, no-interest special to purchase furniture ten years ago, you may have a generous outstanding line of credit with that company. Close accounts you don't plan to use and be sure to inform the credit bureaus (follow the recommendations below before closing accounts).
- **Closing unused card accounts.** If you close card accounts without paying down others, your total "balance due" becomes a higher percentage of your new, smaller, overall credit limit. You may need to reduce the amount you owe on all your cards before closing any cards.
- **Length of your credit history.** It's important to keep some of your oldest card accounts open, since part of your credit score is dependent on your credit history. Keeping some accounts open for more than seven years will help your score.
- **Timely payment history.** Your payment history is a big factor, but may weigh less than overall debt. Keep in mind, your most recent history is more important than what you did a few years ago, and paying before the due date can mean the difference between an average score and an exceptional one.
- **Number of inquiries and new debt in your records.** While it's true that a large number of inquiries and new debt can affect your score, it's important to know that mortgage inquiries within 30 days are grouped as one inquiry, and auto loan inquiries made within 14-days are handled as one inquiry as well.
- **The kind of debt you incur.** Credit bureaus look more favorably on installment debt (auto loans, for example) versus revolving debt (credit cards). Plus, you get points for successfully managing multiple types of debt (mortgage, auto loans and credit cards).



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