

Simple Tips for a Good Credit Score

Your credit score affects many aspects of your life, including making large purchases, obtaining loans, renting an apartment and even applying for a job! Do you know your current credit score? When was the last time you checked your credit report? Here are a few simple steps you can take to help keep your credit score healthy.

Monitor Card Balances

One of the major factors in your credit score is how much revolving credit you have versus how much you're actually using. The smaller that percentage is, the better it is for your credit rating. It's best to keep your debt-to-credit ratio 30 percent or lower. Since credit card debit is one of the easiest types of debt to accrue, it's best to monitor your combined balance closely to ensure you don't push your ratio up too high. Other types of debt like home equity loans and auto loans are less easily obtained and much more consistent. You will need to monitor those less closely; research before those major purchases is much more important.

Some Debt is "Good Debt"

One common misconception among consumers is that any debt on your credit report is bad, which is not entirely true. Good debt - debt that you handled well by making on-time payments - is good for your credit score because it shows that you are a reliable borrower. This is especially true if it's old debt, because it extends your credit history. So don't call the reporting agency to remove that car loan from your credit report as soon as you pay off the vehicle. Leave old debt and good accounts on your credit history for as long as possible.

Always Pay On Time

The bread and butter of a good credit score is the mundane, month-to-month bill payments you make. Sending in those checks on time, every time, is one of the best ways to raise your credit score and keep it high. It shows potential lenders that you will honor any debt agreements you make.

Check Your Report for Free

Finally, be sure to check your credit report for errors. Look for new accounts that you didn't open and large purchases you didn't make, as these not only hurt your credit score, they can be signs of fraud or identity theft. You're entitled to one free copy of each of your three credit bureau reports (Equifax, Experian and TransUnion) every 12 months through AnnualCreditReport.com. It's a good idea to stagger each of the three reports throughout the year. Request one every four months, and you can monitor your credit for free all year.

Finally, if you are having trouble making ends meet, it's important to talk to your lender. Contact your bank or see a legitimate credit counselor. Negotiating and restructuring your payment plan won't rebuild your credit score immediately, but if you can begin to manage your credit and pay on time, your score should increase over time. Seeking assistance from a credit counseling service will not hurt your score, either.



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