

7 CREDIT SCORE DESTROYERS

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Your credit score not only determines whether or not you can get a credit card, mortgage, or auto loan, it's also a critical factor in determining the interest rate you have attached to those items. ***A low credit score can cost a lot of money over your lifetime.***

Not everyone is aware of the many factors that determine a credit score. It's easy to make assumptions that seem logical, but are actually false. Acting on incorrect beliefs is a sure way to make a critical mistake.

Save money and make your financial life easier by avoiding these seven credit destroyers:

1. **Carrying a big balance on your credit cards.** While having a lot of debt is never a good idea, ***using more than 30% of the available credit on your credit cards hurts your credit score.***
 - For example, if your credit limit is \$10,000, your score drops if your balance is over \$3,000. This is commonly referred to as the "utilization ratio." Keep yours under 30%.
2. **Paying late is a huge factor in your credit score.** Experts estimate that 35% of your credit score is determined by your payment history. ***Any late payments will lower your score.***

3. **Closing credit cards is a credit score killer.** This is related to your utilization ratio. By closing a credit card, you lower the amount of credit that's available to you. Your credit score is also sensitive to the length of your credit history.

4. **Defaulting is an obvious credit score mistake. *When you fail to pay back a loan you owe to a lender, you can lose as much as 100 points from your credit score.*** Make every effort to pay back your loans.
 - If you're struggling, contact the lender and attempt to make other arrangements. They can be very flexible if failing to do so means not getting their payments.

5. **Applying for too much credit.** Everyone needs to have some credit, but applying for too much has a negative effect on your score.
 - Each time you apply for more credit, your potential lender makes an inquiry of your credit history.
 - Each of those inquiries lowers your credit score.
 - Avoid sending in every credit card offer that shows up in your mailbox.

6. **Not having a credit card at all.** Many people are getting rid of their credit cards in an effort to avoid debt. Unfortunately, this does nothing to help your credit score.
 - ***Experts believe that the ideal credit score includes 2-3 credit cards.*** Credit diversity can account for as much as 10% of your credit score.
 - Credit cards help to keep your credit history current.

7. **Co-signing for someone else can be a mistake. *Putting your credit on the line by co-signing for someone else is a huge risk.*** Their failure to stay current with the payments can destroy your credit score.

- You're equally responsible for that debt, so any late payments or defaults will show up on your own credit report.
- You can even be subject to collections and lawsuits. If a lender won't do business with them, you might want to reconsider before co-signing.

By simply avoiding these common mistakes, you can't help but have a great score that will guarantee you the lowest interest rates, even if your credit score is poor now. It may take time to boost your credit score, but it's definitely possible.

Give your credit score the amount of attention it deserves. It makes life a lot easier!