

Getting Your Credit in Order

Think of your credit score as a picture of your credit risk at a specific point in time. There are steps you can take to ensure that each time a new “credit picture” is taken, it shows your best side.

Close unused and idle accounts. These could be charging you unnecessary fees or negatively affecting your credit score. Inactive accounts are also prime targets for identity thieves. The safest way to close an account is to send a certified letter to the customer service department of the credit company.

Watch your debt. Try to keep your account balances below 75 percent of your available credit. For instance, if you have a credit card with a \$1,000 limit, keep the balance owed below \$750.

Be punctual. Try to pay all your bills on time every month. Lateness, collections and bankruptcies have the greatest negative effect on your credit score.

Check your credit report regularly. Look for late payments, high balances and signs of identity fraud. This can also save you research time by providing you with contact information for each of your creditors.

Avoid excessive inquiries. This may be interpreted as a sign that you are either opening numerous credit accounts due to financial difficulties or overextending yourself by taking on more debt than you can easily repay. Both scenarios can negatively affect your credit worthiness.

Do not expect a quick fix. While clearing old accounts improves your credit health and protects you against identity fraud, it may take a few years to see a dramatic improvement in your credit score.

Resources:

Financial Literacy Education Commission: MyMoney.gov

Federal Reserve Board: www.federalreserve.gov

Federal Trade Commission: www.ftc.gov

Federal Deposit Insurance Corporation: www.fdic.gov

TrueCredit®: www.truecredit.com

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