

Establishing Good Credit

- Pay your bills on time.
- Get current and stay current on payments.
- Keep balances low on credit cards.
- Pay off debt instead of moving it around.
- Don't close unused credit cards.
- Don't open new cards that you don't need.



- **Start Small.** *Open a checking or savings account* to establish a positive checking history with CHEX systems.
- **Join A Credit Union.** A credit union is willing to consider your personal and financial situation when reviewing your application for a credit card or loan and this makes getting the loan much easier. Demonstrate your stability by making regular deposits to your credit union accounts.
- **Be Selective.** Only apply for credit that you know report to the three major credit bureaus (you can find out by calling the creditor and asking which credit bureaus they report too), otherwise there will be no proof of your payment patterns and you will add unwanted inquiries which lowers your credit score.
- **Keep inquiries to a minimum.** Only apply for accounts that you have a chance of getting. This means avoid applying for platinum cards you know you don't qualify for. Remember, too many inquiries will hurt your credit.
- **Add yourself as a secondary cardholder.** How many of you know someone with good credit? A simple way to build your credit fast is to be added onto one of their accounts. Many banks and credit unions will issue a second card to the person of the cardholder's choice. What this does is take the persons good payment history and puts it on your credit report. Request that the bank report the payment history to both people's reports. This can be in the form of an authorized user or a secondary cardholder.
- **Understand that paying off old collections & charge-offs during the loan process will hurt your score.** The credit bureaus report collection accounts and charge offs for 7 years from first serious delinquency that led to the charge off. If the account is three or more years old and you pay it, your credit report will show a "paid charge off" and make the date of recent activity more recent, which the credit scoring model sees as a recent collection activity and reduces your score as a result.
- **Carry 2 to 5 Credit Cards Only.** Two to five cards are the ideal number to have in order to maximize your credit score. I would suggest having three major credit cards and one to two department store cards and keep the balances as low as possible when you are contemplating applying for credit in the near future (House, car etc.) But use each credit card at least once every six months or it will be rated as "Inactive" and not be counted towards your credit score.

Remember, even if you have perfect credit you can still get denied for new credit due to variables such as income, outstanding credit balances and having too many credit card accounts already.

Use these tools to maximize your credit score.