10 Tips for Using Credit Wisely

Nonprofit credit counseling agency Take Charge America helps consumers understand responsible credit card use, how to build a positive credit history

PHOENIX – (April 7, 2015) – Using credit responsibly is an integral part of personal financial health. Not only is credit a key factor in securing loans for a home, vehicle or other major purchases, potential employers may review an applicant’s credit as part of the interview process, and landlords often look at credit before approving new renters.

"Improving and maintaining a positive credit history is important for people of all backgrounds, ages and life phases," said Mike Sullivan, director of education for Take Charge America, a national nonprofit credit counseling and debt management agency in Phoenix. “A few credit missteps can set back your financial goals significantly, even years in some cases.”

Sullivan offers 10 tips for building credit and using cards wisely:

1. **Limit the number of cards:** People are bombarded with dazzling credit card offers, but applying for too many can negatively impact credit while also increasing the risk of deep debt.
2. **Avoid fees:** Credit card companies charge fees for late payments – even when it’s just a day or two – and for exceeding card limits – even if it’s only a few dollars. Worse, exceeding limits or making late payments may trigger a higher interest rate and show up on your credit report.
3. **Pay off balances every month:** Many people fall into the trap of making just the minimum payment, but paying off balances ensures consumers aren’t wasting money on interest.
4. **Never get a cash advance:** The prospect of quick cash is tempting, but advances almost always come with hefty fees and high interest.
5. **Don’t close old accounts:** While this may seem counterintuitive, closing a card may negatively impact your credit because it reduces credit-to-debt ratio and credit history, both major factors credit bureaus use to calculate scores.
6. **...Unless there’s a steep annual fee:** In this case, the benefits of closing the account may outweigh the potential effect on credit.
7. **Review statements each month:** It’s important to check your account statements monthly to ensure they are accurate and that you understand the terms.
8. **Opt-out of prescreening:** Minimize the temptation to open new cards by opting out of pre-screened offers at optoutprescreen.com.
9. **Use the perks:** Credit cards offer perks beyond travel rewards and cash back, but many don’t know about them. Agreements spell out all of the benefits, from buyer protection and car rental discounts to extended warranties and free airport lounge access.
10. **Use cards online:** With identity theft on the rise, consumers are wise to use credit when making purchases online. If their number is stolen, they will not be out any money while the card company investigates. With debit cards, the money may be inaccessible while the situation is being resolved.
Consumers struggling with credit card debt or who wish to learn more about building their credit may visit takechargeamerica.org or call (866) 528-0588 to speak with a certified credit counselor.

About Take Charge America, Inc.

Founded in 1987, Take Charge America, Inc. is a nonprofit agency offering financial education and counseling services including credit counseling, debt management, student loan counseling, housing counseling and bankruptcy counseling. It has helped more than 1.6 million consumers nationwide manage their personal finances and debts. To learn more, visit www.takechargeamerica.org or call (888) 822-9193.

###