



# 4 critical credit tips

Your credit score is an important benchmark for mortgage lenders, landlords and even potential employers. Use these tips to avoid hurting your credit score:



## 1. Don't max out your credit cards.

A big factor in your credit score is your *debt-to-credit ratio*. When you hit your spending limit, your debt-to-credit ratio rises and your credit score falls. As a rule, always have more credit available than outstanding debt. Doing so not only boosts your credit score, it keeps your payments low and leaves a buffer for emergencies.



## 2. Consider the pros and cons of cancelling credit cards.

While removing temptation is one way to check excessive spending, cancelling credit can actually damage your credit score. Why? Cancelling credit increases your debt-to-credit ratio just like maxing out a card, dropping your credit score. If you need to cancel a credit card, obtaining the same or higher amount of credit with a new card diminishes the effect.



## 3. Stop applying for store credit cards in the checkout line.

It might be tempting to save 15% on a one-time purchase, but applying for *unnecessary credit* can seriously damage your credit score. Lenders make a *hard inquiry* whenever you apply for a new card. This type of inquiry often lowers your credit score by several points, which accumulates when applying for multiple cards. A *soft inquiry* occurs when you check your own credit, which is highly encouraged routinely and before a major purchase.



## 4. Apply with multiple lenders when shopping for a mortgage.

When you apply for a mortgage, the lender performs a hard inquiry. This will lower your credit score by a very small amount, around 5 points. However, when multiple mortgage lenders run your credit within a 45-day period, it only generates a single credit penalty. Thus, applying at one, two or even a dozen mortgage lenders only produces one minimal deduction to your credit score.

Applying at multiple lenders ensures you get the best mortgage rate and terms, just like shopping around for a new car. If you want to learn more or discuss your home buying or selling options, contact me.