

# The Nine Rules of Credit

- 1) **Pay your Bill on time** - every time, never miss or be late on a payment.
- 2) **High Balances = Low Scores** - This refers to balances versus limits especially on credit cards and lines of credit. Once someone's balance goes over 50% of the limit their credit score starts to drop. For the best possible credit score balances need to be 50% or less of the credit limit, i.e. Credit limit of \$1,000, once the balance goes over \$500 the credit score starts to drop with the biggest drop being when the balance is more than the credit limit.
- 3) **You must have established credit** - This means that you must have 2 trade lines, established for 2 years, each with limits of \$2,500 or more.
- 4) **Some types of credit are better than others** - the type of credit that shows on the credit bureau and builds the credit score are credit cards, line of credits, personal loans and car loans. Debt such as student loans, cell phones and mortgages will sometimes show up on the credit bureau but they do not affect the score, however a lender can see how the payments have been made and this may affect whether further credit is granted.
- 5) **What you don't use you lose** – an example is an old credit card that may charge inactive fees which if not paid can go to collections. It is good to use a credit card and then pay it off right away to keep it active.
- 6) **Be careful with joint credit** - all people on a joint loan or credit card are 100% responsible to make the payments until the balance is zero. This becomes a real issue with marital breakdowns where no one wants to pay the debt. All not paying does is hurts everyone's credit.
- 7) **Applying for Credit...lowers your score** - usually by 5 to 10 points. However in some cases such as shopping for a car or a mortgage there is a 14 day time frame that a person can go to multiple brokers/lenders and it is viewed as one hit instead of 3 or 4.
- 8) **Closing your credit account lowers your score** - when an account closes it tells the credit bureau that it is no longer current and this can drop your score 100 to 150 points. The credit score is built on a history so when you close an account that is active it then closes the history for that account.
- 9) **Don't let someone else wreck your credit** - consumers are 100% responsible for their credit. Keep an eye on your data and make sure it is not easily stolen. Order a copy of your credit bureau annually and make sure it is just your debts that are showing. It is good to have a copy of both Equifax and TransUnion so you know what is on both.

For additional information on improving your credit visit:

<http://www.fcac-acfc.gc.ca/Eng/forConsumers/lifeEvents/dealingDebt/Pages/home-accueil.aspx>

## Sources:

- 1) *The Nine Rules of Credit - How to Start, Rebuild, and Always Maintain Great Credit (What the Average Joe Needs to Know)* by Richard Moxley
- 2) *Kim Williams, B.Comm, AMP - League Savings and Mortgage Company*