

Tips for establishing good credit.



1. Don't go it alone. For most of us, the first line of credit we receive is usually a credit card, student loan or car loan. In most cases, it's best – and often necessary – to seek someone (usually a family member) with established credit to act as a co-borrower or co-applicant.

2. Start out small. Establishing and maintaining good credit takes time. Don't run into trouble by opening up too many accounts. Choose a credit card that carries a modest spending limit, offers a fixed interest rate and charges no annual fees.

3. Know the traps. Opening department store credit cards just to get a discount on your purchase is not the best idea. The discount at the store often pales in comparison to the 20-25% interest rate you'll be charged each month on the balance if you do not pay it in full immediately.

4. Pay on time, every time. Nearly one-third of your credit score is based on your repayment habits. Missing a monthly payment – especially when you've only had credit established for a short period of time – can cause long-term damage to your credit standing.

5. Don't pay down, pay off. Pay off your credit card bills in full each month. If you only pay the minimum you allow interest charges to build up thus increasing your overall balance. For example, if you bought a new \$250 camera with your credit card that has a 20% interest rate and only paid the minimum monthly payment (in this case 4% or \$10) it would take you almost 3 years to pay off your balance and cost you \$76.12 in interest charges!

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Sources: www.MyFICO.com and www.bankrate.com

