

Avoid These Five Credit Mistakes

It may not seem that important, but did you know that just one late payment can have a major impact on your credit score — and not in a good way? Taking on too much credit card debt can also take your credit score from good to bad quickly. And while your credit score can fall in a flash, it takes much longer to raise it again, so it's best to avoid these common pitfalls.

1. Missed or Late Payments

Paying late — generally 30 days or more past the payment due date — is the number one thing to avoid. You might think one late payment isn't a big deal, but it can drop your credit score by as much as 110 points, according to a credit.com article by credit expert Gerri Detweiler.

2. Carrying a lot of Credit Card Debt

Having high credit limits on your credit cards doesn't mean you should use all that available credit. Carrying high balances on your credit cards can lower your credit score, and that may be even more important when FICO releases its new scoring system later this year. The new system will focus more on a consumer's credit card debt.

3. Ignoring Your Credit Report

Even if you're not applying for a new loan or credit card, don't forget to check your credit report at least once a year. You need to keep an eye out for errors, identity theft, and fraud, which can have major negative impacts on your score and need to be addressed as soon as possible.

4. Closing Unused Credit Card Accounts

Don't close credit card accounts you aren't using. Having an unused debt limit impacts your credit in a positive way. Keeping unused accounts open also shows a longer history of using credit responsibly.

5. Applying for Credit too Frequently

Do you keep receiving low-interest credit card offers in the mail? If so, it's wise to resist the urge to apply, especially if you've recently applied for an auto loan or another credit card in the past few months. Each of those applications trigger what's known as a "hard inquiry," when a lender or credit card issuer checks your credit. One hard inquiry isn't a problem, but several hard inquiries in a short period will lower your score and scare lenders into thinking you're planning to rack up a lot of debt.