5 Super-Simple Ways to Completely Ruin Your Credit Score

Description

Building a great credit score takes time, diligence, and sometimes even sacrifice. But tearing your score apart — well, unfortunately, you could do that in a single day.

Yes, it doesn't take much to knock your score from one credit standing to a lower one. Lucky for you, the most credit-damaging mistakes aren't exactly sneaky, and with a fair bit of foreknowledge, you can avoid them. For the sake of your credit score, here are five bad moves you definitely want to avoid.

1. Close your oldest credit card

From time to time, you might want to declutter your wallet by closing accounts and cutting those cards to shreds. While this might give you peace of mind, closing old credit cards could have a negative impact on your credit score.

Credit history, which measures the average age of your account, forms a whopping 15% of your total credit score. So, if you're going to cut credit cards, close new accounts, but keep the old ones open. Even if you don't use those cards often, their age is helping your score.

2. Apply for too many credit cards at once

Another easy way to ruin your credit score is to take out too many credit cards at once.

Now, your intentions might be pure: you might be trying to capitalize on lucrative welcome bonuses. But when credit bureaus see you are applying for credit cards or loans, they might think you're heading for hard financial times. As a result, they'll lower your credit score as a warning to lenders.

Applying for one or two credit cards within a year won't hurt your score. But applying for more than three or four within a year could start to hurt your score.

3. Max out your cards

A huge chunk of your credit score (30%) measures what's called credit utilization. Your credit utilization is how much credit you're using across all your credit cards versus how much total credit you've been given.

To keep your score high, it's best to maintain a credit utilization of 30% or less, though less than 10% will give you the highest.

For instance, if you have $10,000 in available credit, you never want to take out more than $3,000. Exceeding $3,000 will start to put stress on your credit score. Go above $5,000 (or 50%), and you'll *really* start to see a score reduction.

4. Miss payments

To credit card companies, late payments are serious business. Making a payment long after its due date will have a major impact on the "payment history" component of your credit score, which makes up a whopping 35% of your overall score. What's worse — a missed payment can stay on your record for up to six years.

That said, many credit card companies will give you time to make a missed payment before reporting it to credit card bureaus. You typically have 30 days to make a payment once it's deemed late, though some credit card companies could give you more time. Fail to make a payment in this grace period, and your score will be severely impacted — not to mention, you'll pay late fees and interest charges.

5. File for bankruptcy

The big whopper of the bunch, filing bankruptcy can easily shave a hundred or so points off your score. While bankruptcy may seem inevitable, you should exhaust all other options — debt settlements, credit counseling, even negotiating with lenders — before going through with it.

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