

Home Buyer Education: Preparing Your Finances

## Build a good credit history



- Pay all bills on time
- Limit the number of open lines of credit
- Keep a few cards over a longer period of time
- Have a mix of credit over time (credit and retail cards, mortgage, installment loans)
- Know your credit limit and don't charge up to the max; keep balances < 30% of available credit

### **TELL AUDIENCE:**

By using credit wisely, you build a good credit history that benefits you through your financial life—particularly as you apply for a mortgage.

Don't be tempted by offers of 10% or 15% off your first purchase to open an account; you're adding to your total line of credit, and too much *new* credit may count against you when you apply for a mortgage.

Experts advise you keep unused credit lines open until after you've qualified for a loan. Canceling a large amount of unused credit actually could hurt your credit score.

If you wish to cancel a few open lines of unused credit, only cancel cards with empty credit lines. You must keep an account open until you pay it off. Don't tell a card issuer you're thinking of canceling the card until you've paid off the balance. Some issuers may increase the interest rate if you try to cancel a card with an existing balance.

## ***HANDOUT 1: Get Debt Under Control***

***NOTE TO INSTRUCTOR:*** *Tell audience to complete the handout at home by checking their last statement to find interest rate, balance, and credit limit.*