https://www.unionleader.com/news/business/money_sense/marc-a-heberts-money-ense-managing-your-credit/article_caeb3151-0761-51b9-ba65-f9767b7a51eb.html

Marc A. Hebert's 'Money $ense': Managing your credit

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Your credit history is important for many reasons. Getting loans with better interest rates and terms, securing a job, finding an apartment and getting approved for reasonable insurance rates are all examples of things that could hinge on having good credit.

With our current climate of economic uncertainty and the outbreak of COVID-19, it is important to maintain strong credit so you are positioned to have credit available when you most need it. Good credit is the result of good credit management. Here are a few management steps to help get you started:

1. Prepare a budget: A budget is your income and spending snapshot. It is meant as a guide to help you spend within your means. As you work with your budget, you may find areas where you can reduce spending. This may result in extra cash to either save toward meeting your goals or reduce your debt, in accordance with your spending plan.

2. Credit picture: In order to manage your credit, you need another snapshot. This one consists of making a list of all your creditors, the amount owed to each, the interest rate, and the available credit. When viewing your credit snapshot, be certain to keep balances well below credit limits and don't open any new credit accounts.

Most importantly, pay the minimum due on each of your credit cards. Use any excess cash to pay extra toward the card with the highest interest rate. This will reduce your overall interest expense over the life of these loans. Once the highest rate card is paid off, the money that was put toward this card can now be used to pay off the next highest interest rate card. This process is repeated until there are no loans outstanding. This strategy can work for both credit card and non-credit card debt.

3. Credit reports: Everyone needs to review their credit reports periodically for incorrect information. Reports from all three reporting agencies (Transunion, Equifax, and Experian) need to be included. Any error should be corrected with the reporting agency immediately. This is also one way to spot identity theft.

Reviewing your reports should not be done just once. Credit reports should be monitored frequently. Be sure to follow up on the corrections to any mistakes you have noted.

4. Know your credit utilization rate: Your credit utilization rate is the ratio of your revolving credit balances to the amount of your available credit. For example, if your credit card balances total $7,000 and you have $20,000 of available credit, then your credit utilization rate is 35%. The lower the ratio, the more of a positive effect this metric will have on your credit score.

5. Have an emergency fund: When an unexpected bill comes up, there is always the temptation to put it on your credit card. A better approach is to build up an emergency fund. One way to do this is to have a set amount transferred from your paycheck to a special savings account earmarked as your emergency reserve. Small amounts will grow over time to a fund that can meet your emergency expenses.

6. Seek help: Finally, sometimes the biggest step toward managing your credit is recognizing that it is an issue that requires professional help. If you find yourself in this situation, consider credit counseling.

Your lenders may also be of help. This can occur through renegotiating the terms of a loan or by debt consolidation.

If you use a firm to perform these tasks for you, don’t forget to research the firm and make certain that it reputable. Keep an eye on what fees, if any, are charged for the service.

Managing your credit takes some time and effort. The end result is worth it. Your financial picture will be improved and your financial stress reduced.

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