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**Credit Truths or Myths?**

True/False I paid off my car loan last year so my score should be higher now.

True/False The credit score I have and the credit score the bank or credit union has never match.

True/False I have credit cards I don’t use. Closing them will improve my credit score.

True/False I’m not responsible for that debt because my roommate should have paid it.

True/False To help my credit score, I should ask for a limit increase on my credit card since my balance is close to the limit.

True/False My student loans are deferred so they should not be included on my credit report.

True/False Even though I carry a balance, my score is excellent because I make payments on time.

True/False I co-signed on a car for my son. Since he is making the payments, I’m not responsible for the debt and it does not impact my credit score.

True/False Every year when the promotional rates on my credit cards expire, I just transfer the balance to another card. This does not hurt my credit score because it looks like I paid off a credit card.

True/False I am recently divorced and the court order states that my spouse is responsible for the loan. Because I am not responsible, it does not impact my credit.

**Credit Truths or Myths? Answer Key**

True/**False** ***I paid off my car loan last year so my score should be higher now.***

This could actually lower your score because of the importance of having a mix of credit types in your credit profile. Although when you get a new car loan, your score will drop a little because of the loan-amount to loan-balance ratio, new credit established, and recent inquiry.

**True**/False ***The credit score I have and the credit score the bank or credit union has never match.***

The company providing your consumer credit score will generally measure the same credit factors; however the lender may purchase a specific version that analyzes those factors with different weights. Your score can also change daily based on when creditors report data and the bureau refreshes. It is important to focus on the right behaviors, not obsess over the number.

True/**False  *I have credit cards I don’t use. Closing them will improve my credit score.***

One of the biggest factors in determining your credit score is credit utilization ratio. This ratio looks at your total used credit in relation to your total available credit. The higher the ratio, the more it negatively impacts your credit score. By closing an old account, you are removing some of your available credit, thereby raising your ratio.

True/**False**  ***I’m not responsible for that debt because my roommate should have paid it.***

Any account turned over for collection impacts your credit score when it is reported. It remains on your credit report for seven years. Paying off the account will not improve your score, but it could improve your chances of getting approved for future credit. If you have an unpaid collection, contact the collection agency and offer to pay the debt in return for the agency removing the collection from your report. This will ensure your score improves! And remember, get everything in writing.

**True**/False  ***To help my score, I should ask for a limit increase on my credit card since my balance is close to the limit.*** Increasing your credit card limit will lower your utilization rate (a key factor contributing to your score), and will boost your score. However, make sure you can resist the urge to spend more after your limit is raised!

True/**False**  ***My student loans are deferred so they should not be included on my credit report.***

A deferred debt is still an obligation that you are required to pay. Many financial institutions calculate an approximate payment and include it in your projected debt-to-income ratio to determine if you qualify for the loan you are requesting.

True/**False** ***Even though I carry a balance, my score is excellent because I make payments on time.***

Payment history is the largest component (35%) of a credit score. However, credit utilization is the second highest (30%). To get the most out of your credit utilization, keep revolving balances under 30% of available limit.

True/**False**  ***I co-signed on a car for my son. Since he is making the payments, I’m not responsible for the debt and it does not impact my credit score.***

When you act as a joint applicant or a co-signer, the debt is included on your credit report. These types of obligations are just as important as those in your name only! We recommend that you verify payments are being made on time because often you may learn about a past due payment only after your credit has been affected.

True/**False  *Every year when the promotional rates on my credit cards expire, I just transfer the balance to another card. This does not hurt my credit score because it looks like I paid off a credit card.***

Opening a new credit card immediately lowers your credit score. Credit age makes up 10% of your score and new accounts could indicate that you are going to take on more debt, making you a credit risk. On the plus side, this impact is minimal and short lived. It is great to benefit from low APR balance transfer options, but beware of fees of minimum requirements attached to these offers that might diminish the benefit of transferring.

True/**False**  ***I am recently divorced and the court order states that my spouse is responsible for the loan. Because I am not responsible, it does not impact my credit.***

The agreement that you sign with your ex-spouse does not change your obligation for a debt. The agreement is strictly a contract between the two of you. The creditor granted the initial loan based on you being co-obligated for it. To remove yourself from the loan, your ex-spouse should refinance the debt in their name only. Until that happens, you should continue to review payments to ensure your credit is not affected. It would be better to make the payment and collect reimbursement through the courts than to allow the debt to become delinquent and affect your credit for the next 7 years.