

# Managing credit wisely



## Why is she smiling?

If you have established credit and built a decent credit history, you probably get offers for more credit cards or higher credit limits. It's good to have options, but it's even more important to make wise choices about the accounts you open and how you use credit.

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## How can you avoid being buried by debt?

The first rule of good credit is charging or borrowing only what you can comfortably afford. Keeping your debt payments low in comparison to your income allows you to pay more than the minimum due each month—a sign to creditors that you can manage your money responsibly. It also helps you to save money each month!



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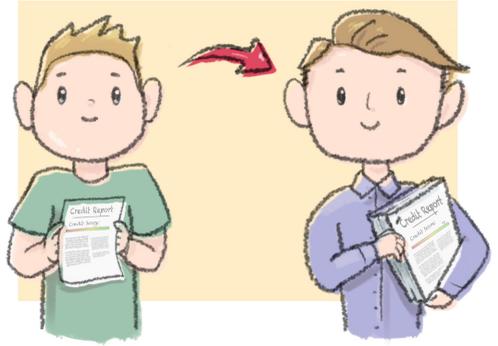
## Why is she paying more than the minimum amount due?

It's always a good practice to pay more than the minimum amount due or, if you can, pay the bill off in full each month. That way you get out of debt faster, save money (in interest charges) and show future lenders that you are not overextending yourself.



## How does time affect your credit history?

The longer you've had credit and managed it responsibly, the better your credit score will be. It counts how long you've been using credit and how long you've maintained individual accounts. Just make sure to borrow only a little, make your payments on time (this is the most important thing you can do to build good credit!) and repay the entire amount as fast as you can. If you already have credit, don't close your oldest accounts, even if you don't use them anymore.



## How much of your available credit should you use?

Credit cards give you an amount that you can spend, called your “credit limit.” Suggestion: Don't use more than 30 percent of your available credit. For example, if you have a \$1,000 credit limit, don't use more than \$300 (\$300 is 30 percent of \$1,000). If you need access to more than \$300, then apply for another credit line. It's better to use 30 percent on each of two credit lines than to use most of a single credit line.



## Why shouldn't you open too many credit accounts?

You can't establish or build good credit without applying for and using credit, but don't open too many new accounts at the same time. This might look like you're having money troubles and need credit to make ends meet—not a good picture! New accounts may lower your credit score. When you do open new accounts, try to create a mix of both revolving credit (like credit cards, credit lines and retail store accounts) and installment loans (personal or car loans).



## About Consumer Action [www.consumer-action.org](http://www.consumer-action.org)

Through multilingual consumer education materials, community outreach and issue-focused advocacy, Consumer Action empowers underrepresented consumers nationwide to assert their rights and financially prosper.

**Consumer advice and assistance:** Submit consumer complaints to [www.consumer-action.org/hotline/complaint\\_form/](http://www.consumer-action.org/hotline/complaint_form/) or 415-777-9635 (Chinese, English and Spanish spoken).

## About this guide

Consumer Action created this guide in partnership with Oportun. Illustrations by Cherie Chen.