# Ways To Build a Good Credit History

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Bad credit can keep you from buying a home, financing your education, and even from getting a job. This is why it's so important to build a good credit history.

Starting with your first credit card, everything you do that involves credit becomes part of your credit history. To have a good credit history, you have to use credit responsibly. But what counts as using credit responsibly?

### 1. Only borrow what you can afford

When you get into the habit of charging only what you can afford, it lets future lenders and creditors know that you are a responsible borrower. You'll find it easier to borrow money and get new credit when you show that you know how to only borrow what you can pay back. Not only that, only charging what you can afford helps you avoid excessive debt.

The same thing goes for loans. Only take out as much loan as you can afford to repay, regardless of what the lender says you qualify for. Before you shop for a loan, review your budget to see what monthly payment you can afford. Make sure your loan payment doesn't exceed the amount you've come up with.

### 2. Use only a small amount of the credit you have available

Maxing out your credit cards – or even coming close – is one of the most irresponsible ways of using credit. Chances are that you can’t afford to pay off a maxed out credit card balance. Lenders know that borrowers who max out their cards often have difficulty repaying what they've borrowed. Staying below 50% of your credit limit is wise, below 30% is best.

### 3. Start with only one credit card

Many first-time credit card users accumulate a collection of credit cards within their first few years of using credit. Don't do this. The more credit you have, the more you'll end up using. Learn how to be responsible with credit5 before you apply for additional credit cards.

### 4. Pay your credit card balance in full

If you're only charging what you can afford to pay, this won't be a problem. Paying off your balance each month shows that you're capable of paying bills, something creditors and lenders want to see. Since a large part of your credit score includes timeliness of your payments, paying your balances on time improves your credit.

### 5. Make all your payments on time

Not all of your monthly payments are listed on your credit report, so they don't affect your credit as long as you're paying on time. But any of them have the potential to wind up on your credit report if you become delinquent and the account is sent to a collection agency. Keeping these negative accounts off your credit report is important for building a good credit score.

### 6. If you carry a balance, do it the right way

Having a credit card balance isn't bad as long as you do it the right way. Make more than the minimum payment each month to pay off your balance as quickly as possible. Avoid making late credit card payments and continue to keep your balance at a reasonable level. If you follow these principles, carrying a balance won't hurt your credit.

### 7. Let your accounts age

The longer you've had credit, the better. Leave your oldest accounts open since they help increase your credit age. Closing the account won't remove it from your credit report immediately. But, after several years, the credit bureaus will eventually drop old, closed accounts from your credit report.