

Effects of Opening/Closing Lines of Credit



Opening and/or closing Lines of Credit (LOC) can affect your credit score. Follow the below suggestions to protect your credit score.

How your credit is affected by OPENING a LOC

- Your score could decrease by a few points initially (similar to opening a credit card) due to the lender running a hard inquiry (creditor has requested to look at your credit file) to verify your creditworthiness.
- It can also impact your score positively by making regular on time payments.

How your credit is affected by CLOSING a LOC

- Your score can be impacted negatively due to:
 - Closing older accounts which can shorten your credit history.
 - Your credit utilization ratio increasing. This should be kept under 30%.

Correct way to close Lines of Credit:

- Evaluate all lines of credit including their fees, usage, and length of loan.
- Inactive accounts that are charging high fees are good candidates to close.
- Close lines of credit that have been opened for a shorter length of time.
- Do not close all accounts just because they are paid off.
- If you pay off a LOC, it will not automatically close. You can reach out to the lender if you would like it closed once it is paid off.
- Do not close several trade lines at the same time. Space out the closures.

Resources:

Financial Coach or Loan Officer at It'sMyCU: 1-309-451-8400

GreenPath Financial Services: greenpath.com/partner/itsmycu

GreenPath Financial Services: 1-877-337-3399

