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Don't Skip Bills

You can't afford to skip any bills – and I mean any bills, ever. Not the mortgage, not your credit card payments, not car payments. It's not just delinquent student loans or overdue medical bills that can ruin your credit. You probably will be shocked to know that the slightest infraction may get reported in your credit file – anything from a late payment on your cell phone bill to a skipped payment to your utility company. You might even fall out of your chair to know that some libraries are even reporting people who have turned in the library books late! Yes, even a late library book can show up on your credit report.

I've heard, too, of some cities and municipalities taking a hard line on unpaid parking tickets. In various jurisdictions, those unpaid tickets are also being reported on people's credit report, thereby lowering their FICO credit score. The lesson here, therefore, is to do everything within your power to always, always pay your bills on time, no matter how small or insignificant they may seem. Otherwise, all the hard work you put in on paying those big bills on time – like your mortgage or student loans – could be undone when a small bill winds up damaging your credit report.

None of this is to suggest that you never have to prioritize your bills. Don't get me wrong: in a dire cash crunch, clearly the mortgage takes the precedent over the cell phone bill. Nevertheless, your goal should be to pay every single bill on time, every single month, without fail. That is the best thing you can do to raise your FICO score.