

A Credit Test?

By Patrick Ritchie

Think about it. Most things in life require instruction. In fact, many things require a test! When you wanted to get your driver's license you had to pass a written test. Then you were allowed to start learning how to drive on the streets. After so many hours of supervised driving, you had your driving test. Some of us may have had to take the driving test more than once to pass, but it made us a safer driver once we were able to pass the test.

What if no tests were required for driving a car and getting that license? How safe would our streets be? We'd have people crossing lanes, driving the wrong direction, ignoring traffic signals. It would be chaotic! That's sort of what it's like with credit. We were turned loose with no instruction. There was no test to pass or fail. Sure, most of us are functioning without issue. Maybe we had a few "accidents" with our credit. But for the most part we steer in the right direction. It's possible to operate a vehicle without really knowing the laws. However, not knowing the laws is what gets us into trouble.

One typical assumption with credit is that as long as we are paying our bills on time our credit must be good. This is partially correct. Paying things on time is a major component to the credit scoring system. Of course there are many other parts that make the credit scoring engine run. You could spend your entire life paying things on time and would likely always have a decent to average credit score. Why not a perfect credit score? Go back to driving a car and compare the act of driving to paying your bills on time. When you are driving you still need to know when to stop, yield, pull to the side for emergency vehicles, keep an eye on your speed, and so on. Credit works the same way. You have to know your credit limits, current balances, etc. You need to know how certain things may affect you. There are numerous things that will affect your credit, not just your timing in paying bills.

We can jeopardize our credit any given day with any number of things. We have to realize the importance our credit has in our lives. Acknowledging this importance can have a major impact on our daily decisions, and in the end, our credit.

Patrick Ritchie is the author of "The Credit Road Map," a practical guide to navigating the world of credit. The book can be purchased at www.TheCreditRoadMap.com or on www.Amazon.com. Copyright © 2006 Success Road Map Press, reprinted with permission.