

People with great credit scores have earned them for a reason - they have always borrowed money, and paid it back on time. There's really no trick to what they've done, and there is no one action that will help you get a great credit score. When someone asks me how to earn a good credit score, I tell them to look at the spending habits of those with great scores, and to develop the same habits. Here are the 7 habits of people with great credit scores.

1. Never Pay Cash

People with great credit scores want every purchase to count. And a purchase doesn't count unless the 3 bureaus know about it! The only way to make sure that the bureaus know how much money you're spending is to put everything on your card(s). Rather than deposit your paycheck and spend, think of your spending as a monetary cycle: Put your paycheck in the bank, spend with your credit cards, and pay off the cards with the funds you've already deposited. It's one extra step that pays off big with the added security and boost to your score that credit cards provide. Credit cards aren't just for larger purchases anymore. Using your credit cards for items like soft drinks and gum has become so common that credit card companies have given a name to them: "Micro-purchases."

2. Never Use a Debit Card

You won't find a debit card in the wallets of people with great credit scores. Debit cards provide you absolutely nothing that a credit card won't, and credit cards will build your credit score! Furthermore, if someone steals your credit card, you're protected against fraudulent purchases, while with a debit card, you're out of luck! People with great credit scores take every opportunity to build their credit - going to the grocery store, buying gas, or renting movies!

3. Pay Off Your Balance(s)

People with great credit scores don't typically carry high credit card balances. The easiest way to emulate this is to make sure that you don't carry ANY balances. You'll obtain the best credit score if you make sure that you're using the smallest portion of your potential limit - which means "Zero." People with great credit scores make sure to use their cards, but pay the balance off every month.

4. Put Yourself on a Bill Payment Schedule

In order for the credit bureaus to reward your good spending habits, you have to pay your bills on time. However, you have a little leeway. While it's not a good idea to pay your bills a few days late because your creditors will charge you late penalties, it won't affect your credit score negatively unless you pay them more than 30 days late. The easiest way to stay on top of your bills is to pick one day out of the month to take care of everything.

5. Consistently Request Higher Credit Card Limits

Because people with great credit scores habitually borrow money and immediately pay it off, the credit card companies are very comfortable consistently raising their spending limits. People with great credit scores consistently request higher limits because it allows them the freedom to borrow and keep a balance, if the need arises, without lowering their scores. You will have the best credit score if you keep the balances of your cards below roughly 35% of the spending limit of each card. People with great credit scores don't habitually spend over 35% of the limit of their cards. Furthermore, if you have high limits, you can take advantage of the promotional offers that the banks offer from time to time. A borrower I know with a great score recently transferred the second mortgage on his home to a 1.99% APR promotional rate on his credit card - the rate is good for the life of the loan!

6. Never Close a Credit Card Account

The credit bureaus take into account the age of your credit lines - and people with great credit scores know this, and exploit it. Many times, people with mediocre or low scores will pay off a card they've abused and close the account because they subconsciously think it was the card's fault they let the balance get as high as it did. This is NOT the correct thing to do in this situation. That card has a great history behind it! You've shown the bureaus that you're willing to borrow a large sum of money and then pay it down to zero. People with great credit scores NEVER close credit card accounts because they want to show that they have a long history of properly using credit.

7. Never Rent

Your home is probably the largest purchase you will ever make in your life, and is the one purchase that can make the biggest impact on your credit score. When you purchase a home, you're showing the bureaus that you can consistently budget yourself to pay a large portion of your income towards an account on a monthly basis. There are a number of reasons people with great credit scores refuse to rent, and the impact of paying a mortgage on their scores is one of them. When a first time homebuyer finally closes on their home and pays the mortgage on time for a few months, they will see their credit score jump around 50 points - and sometimes higher!

People with great credit scores haven't achieved anything too terribly difficult - they've merely adopted some fantastic spending habits. If you would like to earn a great credit score, borrow these habits and watch your score climb. Along with your score, your financial health should benefit, as well!