4 Things That Could Impact Your Credit in 2024

Credit is top of mind for many folks going into 2024. Nearly 4 in 5 Americans (79%) say they are trying to improve their credit, according to a recent survey and article from NerdWallet.

Getting ahead of surprises will go a long way in protecting your credit. Here are four things to look out for that could impact your credit in the new year.

1. Holiday debt

Holiday purchases could follow you for months. NerdWallet's 2023 Holiday Shopping Report found that about half of Americans (52%) incurred credit card debt when shopping last holiday season, and of them, 31% still have not paid off their balances.

Payment history is the biggest factor influencing your credit scores. If you're carrying debt, make at least the minimum payments on your cards to keep your payment history intact and shield your scores. But paying a higher amount, if you're able to, is better for your credit utilization — another major factor in score calculations. Using too much of available credit can make you appear risky to lenders.

"You want to keep your credit balance under 30% of what your credit limit is to get a good score," says Marianne Nolte, a certified financial planner in Lake Havasu City, Arizona.

Paying balances in full will keep your credit usage low and spare you interest charges.

To prevent bookending the year with debt, start planning 2024 holiday spending now, says Heath Carelock, a financial counselor in Prince George's County, Maryland.

Setting spending limits for gifts, making lists and being honest with loved ones about your situation are strategies Carelock recommends. "Just say, 'Hey, this is what I'm going to be able to do this year' and be fine with that, and not worry about the judgment or potentially the embarrassment or guilt over not being able to spend freely," he says.

2. Credit card delinquencies

Debt is surging outside of holiday spending, too. Debt balances of all types grew by $228 billion in the third quarter of 2023, according to a report from the Federal Reserve Bank of New York. The New York Fed also found that credit card delinquencies have risen above pre-pandemic levels, particularly among millennials.

Many experts expect this trend to continue in 2024. "We're likely to see people start running out of room with their available credit and encountering more difficulty affordably repaying the debt that they owe," says Bruce McClary, senior vice president of membership and communications at the National Foundation for Credit Counseling. "We're dealing with shrinking savings and increasing debt. And that's never a good recipe."

If your credit card account becomes delinquent, usually when it's 30 days or more past due, pay the bill as soon as possible. The later a payment gets, the more damage it does.

Negative marks may hinder your ability to open new lines of credit or secure desirable interest rates.

Try calling your card issuer or writing a goodwill letter to ask if it will remove the missed payment from your reports.

3. Student loans

Federal student loans started accruing interest again in September 2023, and payments resumed in October. Making payments after a three-and-a-half-year-long pause has put pressure on borrowers' finances.

The Education Department established a 12-month “on-ramp” period to help those who might be struggling with student loan bills protect their credit. During this period — which lasts through Sept. 30, 2024 — missed payments won’t be considered delinquent, go into default or be reported to credit bureaus and debt collection agencies.

Still, skipping payments is risky. Interest will keep accruing and your balance will rise. Having a swollen balance after the grace period along with other financial obligations could become too much to manage.

“Student loans don't live in a vacuum,” McClary says. “So it's important that you look at the bigger picture while you're working on solutions that might make your student debt more affordable to repay within your existing budget.”

If you’re able to make loan payments during the on-ramp period, it’s best to do so. But if you can’t, McClary suggests working with your loan servicer or exploring the department’s repayment options.

4. Applying for new credit

Thinking about applying for a credit card or loan in 2024? Opening an account raises your overall credit limit and potentially adds to your mix of credit types, aiding your score. However, it can also drag down your average credit age or tempt you to spend more of your available credit, causing your score to slip. Hard inquiries, when lenders check your credit file, also stay on your credit reports for two years.

Borrow only if necessary, and Carelock recommends comparing annual fees and interest rates. If you’re carrying debt, look for a balance transfer card with a 0% annual percentage rate introductory period.

Before you apply, check your credit score and reports to see what lenders will see, McClary says. “If there's a little mess to clean up in terms of inaccurate information, you should build in at least a little bit of time to address those things.”

Credit reports from the major credit bureaus are free to check weekly at AnnualCreditReport.com.

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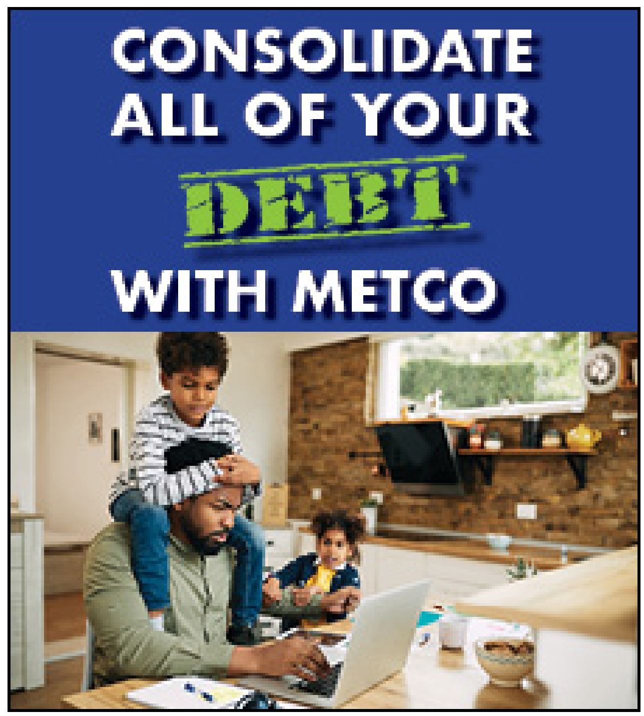

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