**Advice on Closing Active Credit Accounts from TransUnion Credit Bureau**

[**How Closing Accounts Affects Your Credit Score | TransUnion**](https://www.transunion.com/article/closing-accounts-and-your-credit-score)

Many people don’t know that closing accounts can affect their credit score, often in a negative way. Knowing the best way to close an account, and the ways to avoid, will help you to maintain healthy credit.

**The “Good” Way (Two Scenarios)**

**Scenario One**: If your credit situation is in a good place – for example, you have made timely payments on various kinds of credit for ten or more years (e.g., a mortgage, a car, and a few credit cards on which you maintain low balances) and you don’t need any new big ticket items – then you should also be in a good place to close some revolving charge or credit card accounts that you don’t use any more. In this case, you have handled your credit well to date, likely have a good credit score, and you know that you won’t be seeking credit any time soon. Under these circumstances, you can safely close accounts and be fairly confident that you have time to build back any related points taken from your score before you have future need to obtain new credit.

**Scenario Two:** If you don’t have much credit, or have only had credit for a few years, and are actively using only one or two active accounts, you might want to think twice before closing any older unused accounts for a while. If you have a legitimate reason to be concerned that some unused accounts are still open, you will still need to take some time to evaluate your credit situation before you act. Note how many accounts you have; how long they have been open; what they cost you; what future need you might have for them; and how closing them will affect your credit score. If you will soon be seeking credit for a big ticket item, or changing jobs or moving to a rental, you should know that even though closing an unused account may save you money in annual fees, or reduce the risk of fraud on those accounts, closing older accounts of those accounts could also decrease your credit score just when you need it to be at its highest.

Check your free credit reports online (you can get free reports from all three bureaus at [www.annualcreditreport.com](http://www.annualcreditreport.com)) to review the status of your accounts before closing any of them. Accounts that have been open for a long time, particularly those with high credit limits and low or no balances, actually have a positive impact on your credit score. They reflect the length of your credit history and may help you to use a smaller percentage of your **available** credit.

If after evaluating your credit situation you decide that closing some accounts would be most beneficial to your credit situation in the long term, inactive accounts, or cards that you no longer use but come with high annual fees, would be good candidates for closure. Closing those accounts would have the least effect on your score, especially if they have low credit limits and have only been part of your credit record for a few years or less.

Also, if you decide to close any accounts, remember to keep at least one of your older credit accounts open (to reflect well on your credit history), and consider paying down large balances and keeping only enough accounts open that your total balances on all open cards is 30% or less.

Maintaining control over spending habits is key. Try designating one or two cards for regular use and try to pay the balances in-full, or at least down to ten percent of the available credit on each card, every month, to maintain a “good” credit score. Keep other cards in a safe place (not in easy reach) to use only for emergencies, so that you are not tempted to regularly overspend.

**The “Not So Good” Way**

Again, try not to close the oldest accounts on your credit reports. This could shorten the timeline on your active credit history, reduce your total available credit (which would raise the percentage of credit you use), and consequently reduce your score. However, try to keep the balances on older accounts as low as possible.

When you close accounts, don’t just destroy and throw away old cards and expect your accounts to automatically close. The correct way to close accounts is to call or send a letter to the customer service department of the card issuer (not the credit reporting bureau). You should receive an account closing confirmation letter from them within 10 days.

Your credit score will lose the most points if you cancel several accounts at one time, even if you have valid reasons for doing so. Gradually paying down and then closing one or two accounts at a time would be the best plan, especially if you’re unsure about the immediate impact closing any accounts with significant debt attached to them would have on your credit score (and remember that you still have to pay off the balance of debt). Research the total amount of debt you can personally carry and still maintain a good credit score or improve a score. If you then determine the best course of action is to cancel multiple credit account, space the closures over time (with months, or perhaps even a year between closures) to avoid the closures being viewed negatively by your creditors and potential creditors (and the credit bureaus).

It would be best to avoid the strategy of putting all the balances from closed accounts on one card, or a new card, as you close accounts. If your total credit balances increase to above 30% of your available limit on one or all of your cards, it will negatively impact your score.

Once the accounts are closed, monitor your credit reports regularly to see if the actions are reported correctly. However, give the creditor at least 30-60 days to report the closed account and for the credit bureaus to update records. The accounts and payment histories will stay on your report for seven or more years but should be marked as "closed." Any negative impacts on your score can be reversed relatively quickly, but don’t apply for new credit during that period – since you may pay higher interest rates for the new credit if the scoring impact was significant.

Additional Info: ONAC’s informational sheet, “The Financial Significance of Credit Scoring.”