What Happens to Your Credit When You Pay Off a Car Loan Early?

Learn how paying off a loan can impact your credit score.

Paying off a car loan early feels like a major win. You've shed a debt, freed up room in your monthly budget, and stopped paying interest on the remaining balance. It's worth celebrating right up until you check your credit score a few weeks later and see it dip. Why does your credit score dip when you pay off your car loan early? Here's why that happens, and why it's rarely a reason for regret.

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Why Your Credit Score May Dip When You Pay Off Your Car Loan Early

The drop comes down to a factor called credit mix.

Credit Mix Impact

Your credit account mix is the variety of account types on your credit report, like credit cards, personal loans, mortgages, and auto loans. Scoring models give some credit for successfully managing multiple types of debt at once.

Reasoning Behind Paying Off Car Loan Early and Credit Dip

Here's the key detail most explanations leave out: this credit dip typically only happens if the car loan was your only installment loan. If you also have a mortgage, a personal loan, or another installment account still open, closing the auto loan usually has little to no effect on your mix, since you're still actively managing more than one type of credit.

- **Credit mix is a relatively small piece of the puzzle**, about 10% of a typical FICO Score and 11% of VantageScore, so even when it does apply, the effect is usually modest, not dramatic. It tends to matter more if your credit file is "thin," meaning you don't have many accounts total. With fewer accounts on file, each one carries more relative weight, so closing one has a bigger visible impact.

Paying Off a Car Loan Early Impacts Other Credit Factors

There's a related factor at play too. Paying off and closing the loan can slightly reduce the number of accounts you're actively managing and lower the average age of your open accounts.

- **FICO Credit Impact.** In FICO's model, these fall under two separate categories: Amounts Owed (~30%) and Length of Credit History (~15%).
- **VantageScore Credit Impact.** VantageScore handles it differently, folding account age together with credit mix into a single "Age and Type of Credit" factor (about 20% of the score), so for VantageScore users, this effect and the credit mix effect described above are really two sides of the same factor, not two separate hits.

When Your Credit Score Doesn't Dip When You Pay Off Your Car Loan Early

It's worth knowing what doesn't change: your credit utilization ratio.

- **Credit Utilization Impact.** Usage or utilization measures how much of your available revolving credit (like credit cards) you're using. It is not affected by paying off an installment loan. That factor is based only on revolving accounts, so an auto loan payoff won't move the needle there one way or the other.

How Long the Dip Lasts

This decline is almost always temporary. Most people see their score recover within a few weeks to a couple of months, especially if they keep other accounts open and continue making on-time payments elsewhere. Your credit score reflects an ongoing pattern of financial behavior, not a single snapshot. A paid-off loan that was always paid on time continues to reflect well on your history for years, even after it's closed.

Why It's Still the Right Move

A few points on a credit score rarely change what you can actually do financially in the near term. Eliminating a monthly payment and cutting off future interest charges is a real, permanent financial gain. A temporary dip that recovers in weeks is a small trade-off against a debt that's gone for good.

- **One thing to consider.** If you're planning to apply for a mortgage, auto loan, or other major financing in the next month or two, it may be worth timing things so the dip has a chance to recover first. Outside of that, there's rarely a reason to delay paying off debt just to protect a few points.

Protect Your Score While You Pay It Off

1. **Keep your other accounts open and active.** If you have a credit card or another loan, continue using and paying it on time; that maintains your credit mix and keeps positive history flowing in.
2. **Avoid applying for new credit right around the payoff.** Stacking a hard inquiry from a new credit application on top of the payoff dip can make the temporary dip feel bigger than it needs to be.
3. **Check your credit report after the payoff posts.** Confirm the account shows as "paid in full" with no errors, since a misreported closure is one of the few things that could cause a bigger or longer-lasting drop than expected.

Maintain your good credit habits elsewhere, and your score will recover quickly while the debt stays gone for good.

Article provided by savvymoney

RESOURCES FOR A BETTER LIFE WITH FEDERAL R.I.A. CREDIT UNION Fall 2026

3 Quick Steps to Fix Credit Card Fraud

What to do if someone opens a credit card in your name.

If you find out someone has opened a credit card in your name, time is of the essence. You need to act quickly, but efficiently. Here are three vital steps to take.

Step 1: Contact the Lender

The first thing to do is contact the credit card company and report the issue. They will likely connect you to their fraud department, which will then take some information. The company is legally required to investigate your fraud claim.

Once the investigation is opened, you will then:

- Send the form provided by the card company that disputes whether the account is yours.
- Make sure you make a copy of this form for yourself.
- Send it via certified mail.

Step 2: Contact the Bureaus

While the card company investigates your claim, contact all three credit bureaus and either do a fraud alert or a credit freeze.

- **Fraud Alert.** A fraud alert signals to creditors that you might have been the victim of fraud, and thus makes them take extra steps to open any more accounts.
- **Credit Freeze.** If you want to be extra safe, you should do a credit freeze. A freeze locks your credit, preventing anyone from opening an account unless you unfreeze your reports.

No matter what you choose, be sure to make this move for each of the three credit bureaus.

Step 3: Contact the FTC

The final step is to contact the FTC and report that you've been the victim of identity theft. This will help prove that you are correct in your claim.

Do One Thing: Act fast if you find that someone has opened a credit card in your name.

Article provided by savvymoney

Community Involvement

CHARITY GOLF OUTINGS

This summer, R.I.A. FCU was proud to participate in several community golf outings benefiting organizations and causes throughout the areas we serve. These included the YMCA Charity Golf Outing, Savanna Chamber, Byron Hills Fore Heroes, Children's Miracle Network, Quad City Area REALTORS®, QCBR Golf Outing, Paul & Dale's Hack and Give Back, and Support the Troops. We are grateful for the opportunity to support these organizations and the important work they do in our communities. Thank you to everyone who helped organize and make each of these events a success. We look forward to wrapping up the golf season with the HAVLife Golf Outing in October.

GILDA'S CLUB

As part of our Q2 charitable giving initiative, R.I.A. FCU presented a donation check to Gilda's Club Quad Cities. The donation will help support the organization's programs and services for individuals and families impacted by cancer. We were grateful for the opportunity to visit Gilda's Club, learn more about the work they do, and support an organization making a meaningful impact on our community.

KIDS FOR VETS LEMONADE STAND

The Kids for Vets set up stands at our Utica Ridge location this summer to raise funds benefiting our veterans. Each stand is an honor to be a part of. The kids do an incredible job fundraising and we again matched their earnings to show them just how much their hard work means.

TOMAH CONCERT SERIES

Our Wisconsin crew spent Thursday nights enjoying the Tomah Summer Concert Series! From great live music to connecting with members of the community, we loved being part of the summer fun and spending time with the people who make Tomah such a great place to be.

WQAD KIDS COUNT CRUISE

All Aboard! Once again this year, we had a great time participating in WQAD's Kids Count Cruise aboard the Celebration Belle! Our team hosted a Pirate's Treasure Slime activity, where kids could create their very own slime to take home. Between the creativity, smiles, and plenty of slime, it was hard to tell who had more fun—the kids or our staff!

NEED ANOTHER DOSE OF R.I.A. FCU? SEE US SOON AT THESE EVENTS!

HAVLife Golf Outing – October 2nd

Mel Foster Pumpkin Day – October 17th

Fort McCoy Wellness Fair - October 17th

Re/Max Trunk or Treat – October

Boo on the Rock – October 21st

Sexton Ford Trunk or Treat – October

Milan Chamber Trunk or Treat – October

Wilton Trunk or Treat - October 31st

Festival of Trees Parade – November 21st

Fort McCoy Tree Lighting Ceremony – December 3rd

Arsenal Tree Lighting Ceremony – December 4th

Balancing Saving and Paying Down Debt

Learn how to find the balance between saving and debt paydown.

Caught between building a savings cushion and wiping out debt? You're not alone, and you don't have to pick a side. Here's a step-by-step approach that balances saving and paying down debt.

Why Saving and Paying Down Debt Matters

Building savings while carrying debt can feel like a tug-of-war. Every dollar you save feels like a dollar you could've put toward debt, and every extra debt payment feels like money you didn't save.

You Can Save and Pay Off Debt

The good news is you don't have to choose one side of the rope. A sequenced approach lets you protect yourself and make real progress on debt at the same time.

Step 1. Build an Emergency Fund

Before you attack debt aggressively:

- Set aside about one month of basic living expenses — rent, utilities, groceries, minimum debt payments.
- Keep it in a separate savings account you won't touch for anything except a genuine emergency.

Create a Savings Buffer

This isn't your full emergency fund. It's a buffer. Without it, a car repair or a surprise medical bill forces you right back onto a credit card, undoing your progress. Think of this step as putting on a seatbelt before you start driving faster.

- **Save and Pay Off Debt Actionable step.** Total your essential monthly expenses, and set a savings target equal to that amount. Automate a transfer to a separate account, even a small one, until you hit that number.

Step 2. Get the Full Employer Match

Once your buffer fund is in place:

- Check whether your employer matches retirement contributions before you shift everything to debt.
- If they match your contributions up to a certain percentage, contribute at least enough to get the full match.

Free Money for You

This is worth doing early because it's free money with an immediate, guaranteed return — no interest rate on any debt beats a 100% match. Skipping it to pay debt faster usually costs you more in the long run than you save in interest.

- **Action Step.** Log into your 401(k) provider or ask HR what percentage you need to contribute to get the full match, and set your contribution to at least that amount.

Step 3. Attack High-Interest Debt

With your buffer fund and 401(k) match both in place, turn your focus to debt — specifically, the highest-interest debt first.

Avalanche Method of Paying Down Debt

This approach is called the debt avalanche method. Here's how it works:

- You make minimum payments on everything.
- Then put every extra dollar toward the debt with the highest interest rate.
- Once that's paid off, you roll the payment toward the next-highest-rate debt, and so on.

Save and Pay Down Debt Together

The avalanche method saves you the most money in interest over time, since your highest-rate debt (often credit cards) is what's costing you the most every month it sticks around.

Snowball Method of Paying Down Debt

If you know you're motivated more by visible progress than by math, the **debt snowball method** might be for you. Here's how it works:

- Pay off your smallest balance first, regardless of interest rate.
- It costs more in total interest, but the quick wins can help some people stay consistent.

Either method works if you stick with it.

The best one is the one you'll actually follow through on.

- **Save and Pay Off Debt Actionable step.** List every debt with its balance and interest rate. Sort by interest rate, highest to lowest (or smallest balance to largest, if you're going with snowball), and direct any extra money to the top of that list.

Step 4. Shift Back to Saving

Once your high-interest debt is gone, redirect that same monthly amount, the payment you were making toward that debt, into savings. You're not finding new money; you're redirecting existing money in a new direction.

Fill Up Your Emergency Savings

At this stage, you can build out a full emergency fund (typically three to six months of expenses), save for other goals, or increase retirement contributions beyond the employer match.

- **Actionable step.** The moment a debt is paid off, set up an automatic transfer for that same dollar amount into a savings or investment account, so the money doesn't quietly disappear into everyday spending.

Do one thing. Be patient. Balancing saving and debt repayment isn't instant, and progress on both fronts can feel slow in the early months. Stick with the order above, automate what you can. It's consistency — not speed — that gets you to both goals.

Article provided by
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Special Closings

Columbus Day
Monday, October 12

Veterans Day
Wednesday, November 11

Thanksgiving Day
Thursday, November 26

Christmas Eve
Thursday, December 24 - Close at 12:00 pm

Christmas Day
Friday, December 25

New Year's Eve
Thursday, December 31 - Close at 12:00 pm

New Year's Day
Friday, January 1

Remember, you can still access your credit union account on holidays and after hours with your R.I.A. FCU ATM/Debit Card, Mobile Banking, DANA or Internet Account Access. Sign up today!