

## PAY ON TIME OR THE CREDIT PARTY WILL BE OVER

*Creditors are Watching Every Financial Move*



A weak labor market. The credit squeeze. A slowing economy. Falling house prices. How is a family who is already strapped for money to pay these additional debts?

A recent Fed survey showed that a record 36 percent of banks reported less willingness to extend consumers installment loans, with 80 percent tightening standards on home equity lines of credit.

The story with credit cards is just as grim, with 67 percent of the banks refusing new loans to consumers without good credit.

Family Foundations recommends that consumers take the following steps to keep their existing credit lines intact:

- **Don't skip a payment, make a short payment, or pay late.** Banks are circling their wagons, and don't want to take on any more risk. A red flag goes up if you have the slightest financial hiccup. This could result in higher interest rates being charged, and a lower credit limit.
- **Keep your credit score high.** Creditors review your credit utilization ratio as a part of your risk evaluation. They look at how much you owe relative to your credit limit. You will likely be allowed to charge the full amount of your limit, or perhaps a bit more, but to keep your credit score high, don't max out your cards. This could signal that you don't have the cash to pay for purchases. Play it safe and only charge 30 percent or less of your available credit.
- **Get your credit report and review it for accuracy.** You don't want someone else's bad credit spoiling yours. Consumers are allowed one free credit report from each of the three major bureaus every 12 months. Go to [www.annualcreditreport.com](http://www.annualcreditreport.com) to start the process. The credit report is a major component of your credit score, thus you want the information contained in it to be correct. If there is negative information, but it is true, it needs to stay. If there is false information, take the necessary steps to remove it.
- **Purchase your credit score.** Even though you can obtain your credit report for free, you'll have to pay for your score. These few extra dollars will be the best money you spend. Make sure your score is at least 700, and do what it takes to keep it there.
- **Increase your income.** If you struggle each month, robbing Peter to pay Paul and Peter's tired of it, you may need to consider a second job. As burdensome as that sounds, you might not find it as bad as receiving calls and letters from collectors. If an account is turned over to a collection agency, it is likely that it will remain on your credit report for seven years. Generating extra income from a second job could get you out of debt much quicker with no

damage to your credit report.

- **Review all of your spending.** Starting September 1, write down every cent you spend. It's the only way you'll ever know where all your hard-earned money is going. At the end of 30 days, review your spending and decide where you can reasonably cut back. Cutting back is better than cutting out, as it's not as drastic a change to your lifestyle. Have as your objective to carve 10 percent from each of your spending categories that are not fixed payments. This will result in over \$100 in found money that you can devote to debts.

- **Ask for help.** Reaching out to an NFCC Member Agency for help is one of the smartest things a person can do. Allow a trained and certified credit counselor to review your financial information. If you're in trouble, they'll propose a variety of ways out. And if you're putting along just fine, they will validate your good financial sense.

**Family Foundations** stands ready to help. To reach us, call (904) 396-4846 or go online to [www.familyfoundations.org](http://www.familyfoundations.org).

### **About Family Foundations**

You don't have to solve your financial problems alone. Family Foundations has trained and certified credit counselors who offer financial management and debt reduction services. Family Foundations is a nonprofit, community-based organization and a Member of the National Foundations for Credit Counseling (NFCC). For more information on Family Foundations, call (904) 396-4846 or visit [www.familyfoundations.org](http://www.familyfoundations.org).