

## YOU and YOUR CREDIT: Credit Dos and Don'ts <sup>1</sup>

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### CREDIT DOS

- **Open a bank account.** This will not appear on your credit report, but bank account numbers are often requested on credit applications.
- **Apply for a credit card.** To avoid being denied credit, apply only for those cards whose requirements you are likely to meet. Department store or gas credit cards are usually easier to obtain than a bank issued card with a Visa or MasterCard logo because the balances do not generally revolve. A secured card can reduce the chances of being rejected since the line of credit is tied to an asset, typically cash held in deposit with the issuing bank. If one exhibits responsible credit management for 18-24 months, it is reasonable to ask for an unsecured card.
- **Make sure the creditor** reports the credit card account activity to the credit bureaus. As the purpose of obtaining the card is to establish credit, you want to choose a card that will help you do that.
- **Charge purchases and make payments on time.** Once you have used the card responsibly for three months, you may want to apply for a Visa, MasterCard, American Express or Discover. These cards will allow you more flexibility in charging purchases, but will also give you more opportunity to get in trouble. Remember a \$5,000 credit limit is not \$5,000 in additional income. It is only a different way to spend the money you already have.
- **Create a spending plan.** Make sure that you are able to pay off the balance on the items you plan to purchase with a card. Write down all of your expenses and income. Adjust your spending accordingly. Keep a record of what you have spent. Your local county Family and Consumer Sciences Extension Agent can help with developing your spending plan.
- **If you are denied credit, ask why.** Reasons may include income, employment or credit history. You can request a free copy of your credit report to see if there is false data on it, and have the corrections made.

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## CREDIT DON'TS

- **Don't overdraw** your bank account. You will be charged fees and you could damage a good reference.
- **Avoid missed or late payments** to any creditor. That is a sure way to damage your credit rating.
- **Don't let anyone borrow your credit card, debit card or in any way have access to your bank account.** You are responsible for any authorized use of your accounts.
- **Don't give your card number to anyone over the phone or Internet** unless *you* initiated the transaction.
- **Avoid cash advances.** They're expensive. You'll pay upfront fees of 2–4 percent on the amount you withdraw and you'll be stuck paying a higher interest rate, often in the high teens or higher. And because there's no grace period on a cash advance, the interest charges will begin to mount as soon as the money comes out of the ATM.