

# DCC DOLLARS & SENSE

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## Credit Matters

### *Special points of interest:*

- Establishing New Credit

If you're at least 18 years old and have a regular source of income, you're well on your way to qualifying for a card. But despite the invitations from card issuers, you'll still have to demonstrate that you're a good risk before they grant you credit.

The proof is in your credit record. If you've financed a car loan or other purchase, you probably have a record at a credit agency (CRA) (The most common type of CRA is the credit bureau). This credit history shows how responsible you've been in paying your bills and helps the credit card issuer decide how much credit to extend.

Before you submit a credit application, get a copy of your report to make sure it's accurate. Contact the credit bureaus listed in the telephone directory under "credit" or "credit rating and reporting." Because more than one credit bureau may have a file on you, call each until you locate all the agencies maintaining your file. The three major credit bureaus are:

How do you begin to establish credit?

**First**, consider applying for a secured credit card issued by a bank or finance company. The bank you have your

checking account with will most likely offer one. If used responsibly it will be reported to a credit bureau and you'll establish a good credit history.

A secured credit card will require a deposit ranging from \$100-\$500 and your credit limit can range from 100% - 150% of the deposit.

**Second**, If you don't qualify for credit on your own, ask a friend or family member to co-sign on the account. The co-signer agrees to pay the debt if you're not able to. You'll want to repay any debt promptly so you can build a credit history and apply for credit in the future on your own.

A positive credit history is an asset, not only when you apply for a credit card, but also when you apply for a job or insurance, or when you want to finance a car or a home.

Once you have an established credit history, you should check frequently to ensure there are no errors. Remember to log onto [www.annualcreditreport.com](http://www.annualcreditreport.com) to obtain your free copy.

## The Cost of Credit

Fees, charges, and benefits vary among credit card issuers. When you're choosing a credit card, shop around. Compare these important features:

**Annual percentage rate (APR).** The APR is a measure of the cost of credit, expressed as a yearly interest rate. Check out the "periodic rate," too. That's the rate the issuer applies to your outstanding balance to figure the finance charge for each billing period. For example, if you have an outstanding balance of \$2,000, with 18.5 percent interest and a low minimum monthly payment, it would take over 11 years to pay off the debt and cost you an additional \$1,934 just for interest, which almost doubles the total cost of your original purchase.

**Grace period.** This is the time between the date of a purchase and the

date interest starts being charged on that purchase. If your card has a standard grace period you have an opportunity to avoid finance charges by paying your current balance in full. Some issuers allow a grace period for new purchases even if you do not pay your balance in full every month. If there is no grace period, the issuer imposes a finance charge from the date you use your card or from the date each transaction is posted to your account.

**Annual fees.** Many credit card issuers charge an annual fee for granting you credit, typically \$15 to \$55. Some issuers charge no annual fee. Transaction fees and other charges. Some issuers charge a fee if you use the card to get a cash advance, if you fail to make a payment on time, or if you exceed your credit limit. Some may charge a flat fee every month whether you use the card or not.

## If You're Denied Credit

If you're turned down for a card, ask why. It may be that you haven't been at your current address or job long enough. Or that your income doesn't meet the issuer's criteria. Different credit card companies have different standards.

If you've been denied credit because of information supplied by a credit bureau, federal law requires the creditor to give you the name, address and telephone number of the bureau that supplied the information. If you contact that bureau within 60 days of receiving the denial, you are entitled to a free copy of your report. If your file contains accurate negative information,

only time and good credit habits will restore your credit-worthiness. If you find an error in your report, you are entitled to have it investigated by the credit bureau and corrected at no charge.

You should dispute any inaccuracy in your report with the credit bureau and also with the company that furnished the information to the credit bureau. Once the reporting company receives notification of the dispute, they then have 30 days to respond with validation of the debt, if not it will be removed from your credit report.