

CREDIT, DEBT AND YOUR CONSUMER RIGHTS

Federal credit laws protect your right to obtain, use and maintain credit by requiring businesses to give all consumers a fair and equal opportunity to receive credit and to resolve disputes over credit errors.

Your credit payment history is recorded in a report maintained and sold by consumer reporting agencies. Your credit report contains information about your income, debts and credit payment history. It also notes whether you have been sued, arrested or filed for bankruptcy.

Businesses inspect your credit history when they evaluate your applications for credit cards, insurance, home loans, employment and even leases. A history of timely credit payments helps you get additional credit. Accurate negative information can stay on your report for seven years and bankruptcy for 10 years.

DISTINGUISH BETWEEN GOOD AND BAD DEBT

Borrowing for a home or college education usually makes long-term financial sense. But unless you are absolutely sure you can pay the bills in full when they arrive, it makes little sense to use credit cards to pay for things that are consumed quickly, such as meals or vacations.

GET THE RIGHT LOAN FOR THE RIGHT SITUATION

Explore your options. A credit card might be a good choice for short-term borrowing needs if you are able to pay off the balance in a month or two. If you're a homeowner putting an addition on your house, taking out a home equity loan or line of credit makes more sense than using your credit card.

SHOP AROUND

Annual percentage rates, fees and repayment plans differ substantially from lender to lender, so be sure you understand all terms and conditions before making your final decision. Websites like www.bankrate.com can help by allowing you to compare credit card rates and features.

KNOW HOW MUCH IS TOO MUCH

Carry only one or two major credit cards, and use them sparingly. A good rule of thumb is to limit non-mortgage monthly credit payments to 15 percent of your take-home pay.

AVOID THE MINIMUM PAYMENT TRAP

If you pay just the minimum on credit card bills, depending on your balance, you could pay hundreds or thousands of dollars in interest and spend years paying off your balance. Instead, make the largest monthly payments you can manage and pay it off sooner rather than later.

DEVISE A PAY-DOWN PLAN (GET OUT OF DEBT)

- If you owe on more than one card or loan, target those with the highest annual percentage rates and concentrate on paying those down first.
- Restructure your debt to reduce interest costs, such as transferring your balances to lower interest cards or consolidating your debt with a home equity loan (almost always tax deductible). But remember, a home equity loan jeopardizes your house.
- Make a bigger dent in your outstanding balances by 1) making the largest monthly payments you can manage, 2) withdrawing funds from low-interest savings accounts to pay off high-interest credit cards, and 3) using any windfalls such as a bonus, tax refund or even garage sale proceeds to pay down your debt.
- If your debt is too much to handle, consider contacting the Consumer Credit Counseling Service, (800) 388-2227, a nonprofit agency that helps consumers deal with credit problems.

PROTECT YOUR CREDIT HISTORY

- Your credit history is based on your payment history, so be sure to make all loan and credit card payments on time.
- If you cannot make a monthly payment, contact your creditor about a revised payment schedule.
- Periodically check your own credit report for accuracy. To get a copy of your credit report, call one of the three national credit bureaus: Equifax, (800) 685-1111; Experian, (888) 397-3742; or Trans Union (800-888-4213). 