

Marriage and Money

▼ Issue Five

**Managing Credit
(Part 1)**

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Credit has become a way of life for many people.

The use of credit in today's society is so significant it often appears to be a necessity rather than a convenience. Regardless of whether you are trying to reserve a hotel room, order by phone from a catalog, or apply for a home loan, some form of credit will likely be required. To pay cash or to use credit is a choice you must make each time you buy.

Never forget that credit costs money. Finance charges, including interest payments, annual fees, late payment fees, and over limit fees, can add up quickly. Failure to realize the TOTAL cost of credit can lead couples into debt overload overnight.

Remember, when you use credit you are spending future income. Since bills don't arrive for a month, it's tempting to overspend. Young couples should discuss the use of credit and how they plan to use it to their advantage. Working together, review the list below and check the items for which you would use credit. Then, discuss the advantages and disadvantages of each.

	Husband	Wife		Husband	Wife
Clothes	<input type="checkbox"/>	<input type="checkbox"/>	Buying a vehicle	<input type="checkbox"/>	<input type="checkbox"/>
Ordering from a catalog	<input type="checkbox"/>	<input type="checkbox"/>	Emergencies	<input type="checkbox"/>	<input type="checkbox"/>
Christmas presents	<input type="checkbox"/>	<input type="checkbox"/>	Gambling	<input type="checkbox"/>	<input type="checkbox"/>
Groceries	<input type="checkbox"/>	<input type="checkbox"/>	Impulse buying	<input type="checkbox"/>	<input type="checkbox"/>
Vacations	<input type="checkbox"/>	<input type="checkbox"/>	Gasoline	<input type="checkbox"/>	<input type="checkbox"/>

If used wisely, credit can help you. When credit is not used responsibly, it can get you into big trouble. Learn early in your marriage to be "credit wise."

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How Much Credit Can You Afford?

Your Credit History

Once you begin to use credit, you will establish a credit history. A credit history is a record of whether or not you have paid debts on time and according to signed agreements. This record also includes a list of everyone who has accessed your report for up to two years. These are called "inquiries." The agency that maintains credit records is called a credit reporting agency. When you apply for credit, a credit grantor will look at your credit history to determine if you are a good credit risk. It is important for both spouses to have good credit in each name. It will save you headache and frustration later.

If you've never had credit, you probably have no credit history. Take these steps to establish credit for the first time:

1. Maintain steady employment.
2. Open a checking and savings account and use them responsibly.
3. Apply for a gas or department store credit card and pay in full each month.
4. Make rent and utility payments on time.

Since no two families are alike, there are no hard-and-fast rules to determine how much credit you can handle, but there is a guide. No more than 20 percent of monthly take-home pay should be used for payments on consumer credit. Use the form below to determine if your debt load falls below 20 percent.

Credit Debts	Monthly Payments
Vehicle Loan(s)	\$ _____
Furniture/Appliance Loan(s)	\$ _____
Credit Card 1	\$ _____
Credit Card 2	\$ _____
Credit Card 3	\$ _____
School Loan(s)	\$ _____
Other	\$ _____
Other	\$ _____
Total Credit Debt	\$ _____
Monthly Take-Home Pay	\$ _____

$$\frac{\text{Total Credit Debt}}{\text{Monthly Take-Home Pay}} = \% \text{ Debt Load}$$

Requesting a Credit Report

You are entitled to one free copy of your credit report from each credit reporting agency every year: Equifax, Experian (formerly TRW), and Trans Union.

To request your free credit report, call (877) 322-8228 and request the form, or go to www.annualcreditreport.com.

It is a good idea to check your credit report at least once a year, and from all three agencies.

Requesting a Credit Report

Here is the information you will need to request a copy of your credit report.

Full name _____

Current address _____

Mail address _____

City _____ State _____ Zip _____

Previous addresses (past 5 years) _____

Daytime phone number () _____

Date of birth ____/____/____

Social Security number _____ - _____ - _____

Full name (including maiden name) _____

Current address _____

Mail address _____

City _____ State _____ Zip _____

Previous addresses (past 5 years) _____

Daytime phone number () _____

Date of birth ____/____/____

Social Security number _____ - _____ - _____

You also will need to enclose a photocopy of a bill (credit or utility), driver's license or document that links your names to the address where the report is to be mailed.

You will need to print or type and sign your name(s).

Checklist on Getting Credit

Although credit-granting policies vary, here are some basic criteria that creditors consider when you apply for a credit card or other type of loan.



Your chances for qualifying for a credit card or loan increase if you have:

- No major blemishes on your credit report such as bankruptcy, non-payment turned over to collection agency, a repossession or a 90-day delinquency.
- Active accounts that show that the information you have provided is valid. Creditors prefer that you have at least two active open accounts - one that has been active for at least two years.
- No recent late payments (late payments sometimes, but not always, can disqualify an applicant).
- A verifiable address. Some issuers do not give cards to an applicant using a post office box or general delivery address.
- Paid at least the minimum on all your accounts.
- No more than two or three credit card applications pending at one time.

For more information on credit including information on credit scores, see the Extension publication: *Credit: Using it Wisely (FE-260)*, online at www.ext.nodak.edu/extpubs/yff/fammgmt/fe260w.htm

NEXT MONTH: Managing Credit (Part 2)

Adapted with permission from University of Arkansas Division of Agriculture Cooperative Extension Service.

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