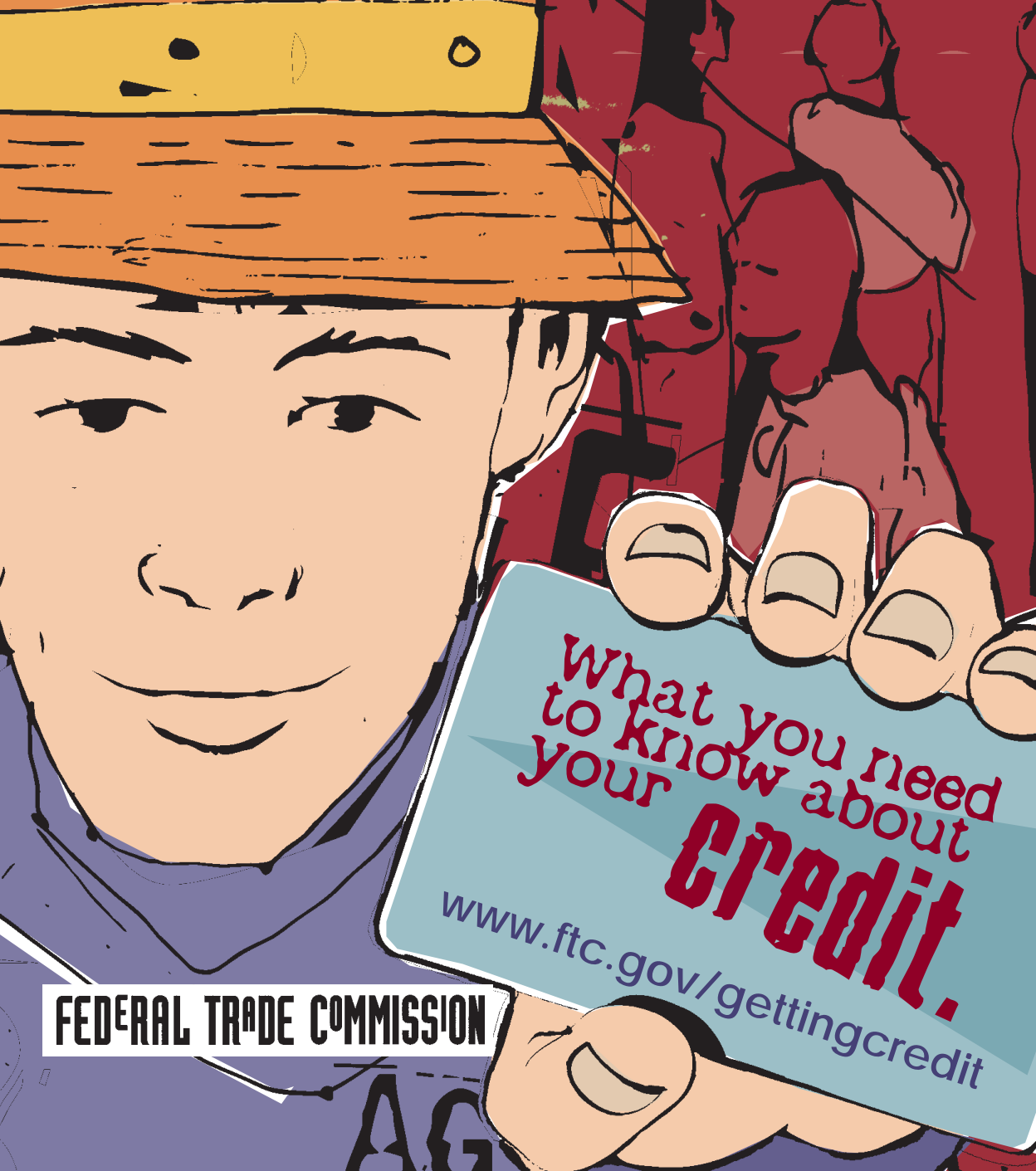


# getting Credit



What you need  
to know about  
your

**Credit.**

[www.ftc.gov/gettingcredit](http://www.ftc.gov/gettingcredit)

FEDERAL TRADE COMMISSION

# FEDERAL TRADE COMMISSION

Toll-Free 1-877-FTC-HELP (1-877-382-4357)  
[www.ftc.gov](http://www.ftc.gov)

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The **Federal Trade Commission** (FTC) is the nation's consumer protection champion. The FTC works for the consumer to prevent fraud, deception and unfair business practices in the marketplace.

The FTC provides the information consumers need to spot and avoid fraud and deception. Consumers can contact the FTC for free information on a wide range of issues, including:

- Advertising claims
- Buying, leasing and renting cars
- Credit
- Debt collection
- Employment and job placement
- Identity Theft
- Investment schemes
- Online shopping
- Scholarship scams
- Sweepstakes
- Telemarketing
- Work-at-home schemes...and more

# what's credit

**B**eing out on your own can be fun and exciting, but it also means taking on new financial responsibilities. The decisions you make now about how you manage your finances and borrow money will affect you in the future—for better or worse.

Did you know that there are companies that keep track of whether you pay your debts and if you make payments on time? Then these companies make this information available in the form of a credit report and score.

A bad credit history can haunt you for a long time—seven years or more. That's why the best thing to do is learn how to maintain good credit *before* there's a problem. While this might seem complicated at first, it gets easier once you understand the basics of credit and how it works.

Credit is more than just a plastic card you use to buy things—it is your financial trustworthiness. Good credit means that your history of payments, employment and salary make you a good candidate for a loan, and creditors—those who lend money or services—will be more willing to work with you. Having good credit usually translates into lower payments and more ease in borrowing money. Bad credit, however, can be a big problem. It usually results from making payments late or borrowing too much money, and it means that you might have trouble getting a car loan, a credit card, a place to live and, sometimes, a job.





**your credit**

**M**ost creditors use credit scoring to evaluate your credit record. This involves using your credit application and report to get information about you, such as your annual income, outstanding debt, bill-paying history, and the number and types of accounts you have and how long you have had them. Potential lenders use your credit score to help predict whether you are a good risk to repay a loan and make payments on time.

Many people just starting out have no credit history and may find it tough to get a loan or credit card, but establishing a good credit history is not as difficult as it seems.

- You might apply for a credit card issued by a local store, because local businesses are more willing to extend credit to someone with no credit history. Once you establish a pattern of making your payments on time, major credit card issuers might be more willing to extend credit to you.
- You might apply for a secured credit card. Basically, this card requires you to put up the money first and then lets you borrow 50 to 100 percent of your account balance.
- You might ask other people who have an established credit history to co-sign on an account. By co-signing, the person is agreeing to pay back the loan if you don't.

## What a Difference a Word Makes

**Credit card**—You can use a credit card to buy things and pay for them over time. But remember, buying with credit is a loan—you have to pay the money back. What's more, if the credit card company sends you a check, it's not a gift. It's a loan you have to pay back. In addition to the cost of what you bought, you will owe a percentage of what you spent (interest) and sometimes an annual fee.

**Charge card**—If you use a charge card, you must pay your balance in full when you get your regular statement.

**Debit card**—This card allows you to access the money in your checking or savings account electronically to make purchases.



Credit

**the fine print**



When applying for credit cards, it's important to shop around. Fees, charges, interest rates and benefits can vary drastically among credit card issuers. And, in some cases, credit cards might seem like great deals until you read the fine print and disclosures. When you're trying to find the credit card that's right for you, look at the:

**Annual percentage rate (APR)**—The APR is a measure of the cost of credit, expressed as a yearly interest rate. Usually, the lower the APR, the better for you. Be sure to check the fine print to see if your offer has a time limit. Your APR could be much higher after the initial limited offer.

**Grace period**—This is the time between the date of the credit card purchase and the date the company starts charging you interest.

**Annual fees**—Many credit card issuers charge an annual fee for giving you credit, typically \$15 to \$55.

**Transaction fees and other charges**—Most creditors charge a fee if you don't make a payment on time. Other common credit card fees include those for cash advances and going beyond the credit limit. Some credit cards charge a flat fee every month, whether you use your card or not.

**Customer service**—Customer service is something most people don't consider, or appreciate, until there's a problem. Look for a 24-hour toll-free telephone number.

**Other options**—Creditors may offer other options for a price, including discounts, rebates and special merchandise offers. If your card is lost or stolen, federal law protects you from owing more than \$50 per card—but only if you report that it was lost or stolen within two days of discovering the loss or theft. Paying for additional protection may not be a good value.

## Your Personal Financial Information

Banks and other financial companies may share your personal financial information with their subsidiaries and other companies. But you can limit some of that sharing if you want to. "Opting out" can help keep much of your financial information private and reduce unsolicited offers that come in the mail. But it also means you may not see offers that could interest you. Your financial institutions will send you a privacy notice once a year in your statement or as a separate mailing. Be sure to read these notices carefully. Get answers to your questions from these companies. If you decide you want to opt out, follow the company's instructions—you may need to call them, return a form, or go online. You can shop around for a financial institution with the privacy policy you want.



do the math



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Keep in mind that credit card interest rates and minimum monthly payments affect how long it will take to pay off your debt and how much you'll pay for your purchase over time.

Suppose when you're 22, you charge \$1,000 worth of clothes and CDs on a credit card with a 19 percent interest rate.



If you pay \$20 every month, you'll be over 30 by the time you pay off the debt.



You'll have paid an extra \$1,000 in interest. And that's if you never charge anything else on that card!



**keep your credit  
record clean**

**G**ood credit is important, now and in the future. In most cases, it takes seven years for accurate, negative information to be deleted from a credit report. Bankruptcy information takes even longer to be deleted—10 years.

## Know What Creditors Look for on Credit Reports

Understanding what types of information most creditors evaluate is important. Your credit report is a key part of your credit score, but it is not the only factor. You get points for other things like:

- Your bill-paying history
- How many accounts you have and what kind
- Late payments
- Longevity of accounts
- The unused portions of lines of credit
- Collections actions
- Outstanding debt

### Where to Obtain a Copy of Your Credit Report

Credit reporting agencies don't share files, so you'll need to contact each reporting agency to make sure the information about you is correct. The three major credit reporting agencies are:

**Equifax**

1-800-685-1111

[www.equifax.com](http://www.equifax.com)

**Experian**

1-888-397-3742

[www.experian.com](http://www.experian.com)

**TransUnion**

1-800-888-4213

[www.transunion.com](http://www.transunion.com)

In some states, you don't have to pay to get a copy of your credit report.



**keep credit cards  
under control**



Whether you shop online, by telephone or by mail, a credit card can make buying many things much easier; but when you use a credit card, it's important to keep track of your spending. Incidental and impulse purchases add up, and each one you make with a credit card is a separate loan. When the bill comes, you have to pay what you owe. Owing more than you can afford to repay can damage your credit rating.

Keeping good records can prevent a lot of headaches, especially if there are inaccuracies on your monthly statement. If you notice a problem, promptly report it to the company that issued the card. Usually the instructions for disputing a charge are on your monthly statement. If you order by mail, by telephone or online, keep copies and printouts with details about the transaction.

These details should include the company's name, address and telephone number; the date of your order; a copy of the order form you sent to the company or a list of the stock codes of the items ordered; the order confirmation code; the ad or catalog from which you ordered (if applicable); any applicable warranties; and the return and refund policies.

Finally, if you have a credit card, take the following precautions:

- Never lend it to anyone.
- Never sign a blank charge slip. Draw lines through blank spaces on charge slips above the total so the amount can't be changed.
- Never put your account number on the outside of an envelope or on a postcard.
- Always be cautious about disclosing your account number on the telephone unless you know the person you're dealing with represents a reputable company.
- Always carry only the cards you anticipate using to prevent the possible loss or theft of all your cards or identification.
- Always report lost or stolen ATM and credit cards to the card issuers as soon as possible. Follow up with a letter that includes your account number, when you noticed the card was missing, and when you first reported the loss.



# protect your identity

## What to Do If You're a Victim of Identity Theft

If your cards, bills or identification have been misused to open new accounts in your name, file a complaint with the Federal Trade Commission. Call toll-free 1-877-ID-THEFT (1-877-438-4338); TDD: 202-326-2502, or visit [www.consumer.gov/idtheft](http://www.consumer.gov/idtheft).

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identity theft involves someone else using your personal information to create fraudulent accounts, charge items to another person's existing accounts, or even get a job. You can minimize the risks by managing your personal information wisely and cautiously. Here are some ways to protect yourself from identity theft:

- Before you reveal any personally identifying information, find out how it will be used and whether it will be shared.
- Pay attention to your billing cycles. Follow up with creditors if your bills don't arrive on time.
- Guard your mail from theft. Deposit outgoing mail in post office collection boxes or at your local post office. Promptly remove mail from your mailbox after it has been delivered. If you're planning to be away from home and can't pick up your mail, call the U.S. Postal Service toll-free at 1-800-275-8777, or visit [www.usps.gov](http://www.usps.gov) to request a vacation hold.
- When possible, put passwords on your credit card, bank and phone accounts. Avoid using easily available information like your mother's maiden name, your birth date, the last four digits of your Social Security number or telephone number, or a series of consecutive numbers. It's a good idea to keep a list of your credit card issuers and their telephone numbers.
- Don't give out personal information on the telephone, through the mail or over the Internet unless you've initiated the contact or you know whom you're dealing with.
- Protect personal information in your home. For example, tear or shred documents like charge receipts, copies of credit offers and applications, insurance forms, physician's statements, discarded bank checks and statements, and expired credit cards before you throw them away. Be cautious about leaving personal information in plain view, especially if you have roommates, employ outside help or are having service work done.
- Find out who has access to your personal information at work and verify that the records are kept in a secure location.
- Never carry your Social Security card; leave it in a secure place at home. Give out your Social Security number only when absolutely necessary.
- Order your credit report from each of the three major credit reporting agencies every year to make sure it is accurate and includes only those activities you've authorized.
- Carry only the identification that you actually need.



**improve your  
credit record**





lot of people spend more than they can afford and pay less toward their debts than they should. To get control over your finances and to manage your debt, try:

**Budgeting**—In many cases, people design and then stick to a budget to get their debt under control. A budget is a plan for how much money you have and how much money you spend. Sticking to a realistic budget allows you to pay off your debts and save for the proverbial rainy day.

**Credit Counseling**—Many universities, military bases, credit unions and housing authorities operate nonprofit financial counseling programs. Some charge a fee for their services. Creditors may be willing to accept reduced payments if you're working with a reputable program to create a debt repayment plan. When you choose a credit counselor, be sure to ask about fees you will have to pay and what kind of counseling you'll receive. A credit counseling organization isn't necessarily legitimate just because it says it's nonprofit. You may want to check with the Better Business Bureau for any complaints against a counselor or counseling organization. Visit [www.bbbonline.org](http://www.bbbonline.org) for your local Better Business Bureau's telephone number.

**Bankruptcy**—Bankruptcy is considered the credit solution of last resort. Unlike negative credit information that stays on a credit report for seven years, bankruptcies stay on a credit report for 10 years. Bankruptcy can make it difficult to rent an apartment, buy a house or a condo, get some types of insurance, get additional credit, and, sometimes, get a job. In some cases, bankruptcy may not be an easily available option.

## When to Contact Creditors

If you're having trouble paying your bills, contact your creditors immediately. Tell them why it's difficult for you, and try to work out a modified plan that reduces your payments to a more manageable level. Don't wait until your accounts have been turned over to a debt collector. Take action immediately and keep a detailed record of your conversations and correspondence.



**use caution**



Turning to a business that offers help in solving debt problems may seem like a reasonable solution when your bills become unmanageable. Be cautious. Before you do business with any company, check it out with your local consumer protection agency or the Better Business Bureau in the company's location. One rule to remember is that if a credit repair offer seems too easy or just too good to be true, it probably *is* too good to be true. And knowing your rights can help you steer clear of rip-offs. For example, according to state and federal laws, companies that help people improve their credit rating cannot:

- Make false claims about their services.
- Charge you until the services are completed.
- Perform services until the waiting period has passed. After you sign the written contract, you have three days to change your mind and cancel the services.

## Avoid Advance Fee Loan Scams

Offers that guarantee you a credit card for a fee—before you even apply—are against the law. These scams often target consumers with credit problems. If someone calls you making that kind of promise, tell the caller not to call you anymore and hang up.

If you've had a problem, the Federal Trade Commission (FTC) works for the consumer to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint or to get free information on consumer issues, call toll-free, 1-877-FTC-HELP (1-877-382-4357), or visit [www.ftc.gov/ftc/consumer.htm](http://www.ftc.gov/ftc/consumer.htm). The FTC enters Internet, telemarketing, identity theft and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the United States and abroad.

It's a good idea to contact your local consumer protection agency, state attorney general or Better Business Bureau, too. Many attorneys general have toll-free consumer hotlines. To find the number for your state's attorney general, check with your local directory assistance.

**BUYER  
BEWARE!**  
ADS PROMISING  
"DEBT RELIEF"  
ACTUALLY MAY  
BE OFFERING  
BANKRUPTCY

As you try to take control of your debt, be on the lookout for advertisements that offer quick fixes. While ads pitch the promise of debt relief, they rarely mention that this relief comes in the form of bankruptcy. Because bankruptcy stays on your credit report for **10 years** and hinders your ability to get credit, it's important to ask for details before agreeing to any debt-relief services.



# resources



## Federal Trade Commission

Web: [www.ftc.gov](http://www.ftc.gov)

Toll-Free: 1-877-FTC-HELP (1-877-382-4357)

TTY: 1-866-653-4261

The FTC works for the consumer to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint or to get free information on consumer issues, visit [www.ftc.gov](http://www.ftc.gov) or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the United States and abroad.

## Identity Theft

Web: [www.consumer.gov/idtheft](http://www.consumer.gov/idtheft)

Toll-Free: 1-877-ID-THEFT (1-877-438-4338)

TDD: 202-326-2502

The FTC is the federal clearinghouse for complaints by victims of identity theft. Although the FTC does not have the authority to bring criminal cases, the FTC assists victims of identity theft by providing them with information to help them resolve the financial and other problems that can result from identity theft.

## The Jump\$tart Coalition for Personal Financial Literacy

Web: [www.jumpstartcoalition.org](http://www.jumpstartcoalition.org)

The Jump\$tart Coalition for Personal Financial Literacy seeks to improve the personal financial literacy of young adults by evaluating their financial literacy; developing, disseminating and encouraging the use of standards for grades K-12; and promoting the teaching of personal finance.

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Credit



don't be lost

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lost or stolen wallet or purse is a gold mine of information for identity thieves. If your wallet or purse is lost or stolen:

- File a report with the police immediately and keep a copy.
- Cancel your credit cards. Call the issuer(s) immediately. Many companies have 24-hour toll-free numbers to deal with such emergencies. The number is on your monthly statement.
- Get new cards with new account numbers.
- Call the fraud departments of the major credit reporting agencies, and ask each agency to put a "fraud alert" on your account:

Equifax 1-800-525-6285

Experian 1-888-397-3742

TransUnion 1-800-680-7289

- Report the loss to the fraud department of the bank where you have your checking and savings accounts. Ask about the next steps regarding your accounts, including your ATM or debit card.
- Review your credit reports regularly and have them corrected when necessary.
- Report a missing driver's license to your state department of motor vehicles.
- Change your home and car locks, if your keys were taken.

### About Lost or Stolen Credit Cards.

If your card is lost or stolen, federal law protects you from owing more than \$50 per card-but only if you report that the card was lost or stolen within two days of discovering the loss or theft. If you suspect any fraudulent purchases, you may be asked to sign a statement under oath that you did not make the purchase(s) in question.

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LET'S  
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