Tips On Taking A Strategic Approach To Credit

(NAPSA)—People have different attitudes about credit. For some, taking on any kind of debt is to be avoided. For others, credit is necessary for buying what they want, when they want it.

The fact is, credit is neither inherently good nor bad—it's simply a tool that requires responsible use. And like any tool, the outcome depends on the skill with which you use it.

What Type Of Credit Is Available?

Approaching credit strategically starts by understanding the different types of credit. It's important to carefully consider which type of credit to use for each financial goal you have. For example:

- Credit cards can be used for everyday purchases, unplanned expenses and large purchases.
- Personal loans or lines of credit can be used for large purchases, unplanned expenses and debt consolidation.
- Auto loans are for new or used vehicles, or refinancing a car loan to lower the interest rate or payment.
- Private student loans help pay for tuition and other eligible education-related expenses.
- Home equity loans or lines of credit can be used for major repairs or improvements, debt consolidation or other major purchases or expenses.
- Mortgage loans are for home purchases and/or refinancing to lower the interest rate or payment.

Setting Yourself Up For Success

Qualifying for these different types of credit will include an examination of your credit history—the track record you've established managing credit and making payments over time.

As you build your credit portfolio and you're approved for higher credit lines, it remains important to stay current on all your payments.

If you don't have an established history, you may need to build one. There are credit products available that use nontraditional information as a substitute for credit history. Once again, strategy comes into play.

For example, if you don't have enough credit history, you might consider applying for and responsibly using a cell phone account, secured credit card, or gas or retail credit card. You could take out a loan with a co-borrower or a loan secured with savings or a CD. To learn how credit scores work, you can visit myfico.com.

If You Have A Less-Than-Perfect Credit History, You Should:

- Be sure to pay bills on time.
- Check your credit reports annually for free at annualcreditreport.com.
- Correct any mistakes on your credit reports.
- Pay down high-interest-rate debt first.
- Pay more than the minimum amount due.
- Avoid opening new credit accounts you don't need.
- Apply for a secured credit card or loan, which is typically easier to qualify for than unsecured credit but will require some kind of collateral in order to open the account.

If you have too much debt for your income, here are some steps you can consider:

- When possible, consider consolidating debt into a lower-interest-rate loan or account.
- Pay off high-interest-rate debt first.
- Build your personal savings.
- Develop a budget and maintain it.
- Consider whether you have other income sources you may want to disclose when you fill out an application for credit.
- Consider whether to include a co-borrower on your loan when you decide the time is right to apply.

As you build your credit portfolio and you're approved for higher credit lines, it remains important to stay current on all your payments. Thirty-five percent of your credit score is based on payment history. As you make regular on-time payments to your loan or credit card, you can begin to build a good credit history.

More important, a late payment on your credit report could lead to being charged a higher interest rate or being declined for credit.

Getting Information About Credit

How you manage your credit can help you reach your goals—or it can hold you back. Learn more about how to use credit responsibly to achieve your goals by visiting the Smarter Credit™ resource center at www.wellsfargo.com/smarter_credit.

To learn more about your credit options, visit www.wellsfargo.com/creditoptions.