How To Make Sure Your Good Credit Doesn't Go Bad

by David R. Wolff, Vice President, Consumer Relations, TransUnion

(NAPSA)—For many consumers, credit cards have become a vital method for having a better lifestyle. Unfortunately, some people get into a dangerous spiral when it comes to managing their financial reputation, thinking they can "play now, pay later."

In fact, a little lapse with credit now can affect your life for years to come, making getting a mortgage, car loan or business loan a more difficult and costly task. There are, however, ways to avoid playing "the credit score blues," according to Chicago-based TransUnion, a leading consumer credit reporting agency. Improve your financial reputation by learning how to manage your credit and improve your credit profile in the process.

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Your ability to obtain a mortgage, auto loan or credit card depends on both your past credit behavior and your current ability to repay the amount you want to borrow. That credit history is what you see when you get a copy of your credit report. Items that may appear on some consumer credit reports and that some lenders may view negatively before offering their best rates, include: late payments, excessive recent credit inquiries, overextended credit, limited credit history, paycheck garnishments, liens and bankruptcy.

There are ways to improve your credit health if your history contains any of the warning signs, or "red flags," that potential credit issuers or lenders look for. These include:

• Applying for a department store card or gasoline credit card, which tend to be easier to qualify for, and paying those bills on time.

• Remembering to pay all your bills on time. When you are delayed or delinquent in a payment, late fees are charged, more interest accrues, and your credit health is negatively affected.

• Contacting your card issuer immediately if you were unable to pay your bills on time or if you found an error in a bill. Be sure to get any complaints or corrections in writing.

• Maintaining a minimum number of credit cards and closing unused accounts. Creditors look at your potential for going on a spending spree and falling too deeply into debt. The more credit cards you have, the larger your debt potential.

• Keeping your debts reasonable. As a rule of thumb, financial experts say that non-mortgage debt payments should not exceed 10 to 15 percent of your take-home pay each month. If your debts are higher, try to reduce them before applying for another loan.

• Avoiding unnecessary inquiries. Any time you authorize a creditor, employer or other business to check your credit report, an inquiry is added to your report, too. If you have a large number of inquiries in a short amount of time, creditors may decide you are either applying for too much credit because of financial difficulties or taking on more debt than you can repay.

Careful management is the best way to keep your credit in good standing—and this in turn can produce a variety of benefits, such as lower interest rates on loans. Smart consumers are the ones who learn more about managing their money, who establish and build a good credit history, and avoid hidden traps that can easily pull a person into a deep hole of debt. More knowledge about your financial reputation also leads to improved financial health—and that's worth a lot. For additional tips on how to improve your credit profile or to obtain your credit report and score, visit the Trans Union Web site at: *www.transunion.com* or call 1-800-888-4213.