



ABC's of Building Credit

A good credit history is important not only for getting good interest rates on a credit card, car loan or mortgage. It may also mean lower insurance rates, a better deal on a cell phone plan, or be a determining factor in whether you or not you get a job. The reality is that it takes good credit to achieve many potential dreams. If you haven't started establishing a good credit history, now is the time to start.

"Those starting to build or rebuild their credit will be attempting to do so during a time when lenders are taking a very close look at all applicants," said Amy Parten, Accel Education Specialist. "Someone without an established, positive credit history is likely to have a more difficult time establishing credit than he or she would have had a few short years ago."

Accel offers the following ABC's of establishing and maintaining a positive credit file:

A – Apply for credit sparingly. Applying for too much credit at once can send the wrong signal to the lender, making it appear that you are desperate for credit. Additionally, too many inquiries can have a negative impact on your credit score, and too many credit cards in your wallet only increases your temptation to spend. It's smart to start slowly and move along the credit path at a measured pace.

B – Be aware of how credit works, then work it to your advantage. If you want to secure a home or car loan, you'll need a "thick file," meaning lenders want you to have at least three credit lines. Otherwise, there's not enough credit history for them to evaluate you as a credit risk. The scoring model also likes to see different types of credit handled responsibly, so apply for both open-end credit such as credit cards and closed-end credit like car loans where the amount borrowed is repaid in equal monthly payments.

"Many credit applications require banking information," said Parten. "Having an established checking and savings account is important because lenders want to be able to research your handling of daily finances."

Parten also reminds people that they should show a savings habit and not overdraw on their checking account. Pay your bills on time, and don't use more than 30 percent of your available credit. Doing these things can earn you a high credit score, which should lead to a low interest rate on your credit cards and loans, making you a winner in the credit game.

C – Consider a co-signer. If you've been denied credit based on your own merit, consider asking a parent to co-sign on a loan or credit card with you. This is a risk for the co-signer, as the payment history is reported on his or her credit file, too. If you fail to make timely payments, both of your credit histories will be negatively impacted. Another option is a secured credit card. With this product, you put up money as collateral for the card and are granted a line of credit in that amount, so the issuer has minimal risk. By handling this type of credit responsibly, you will be well on your way to building a positive credit record and will likely be able to obtain an unsecured card.

The financial world in which we live requires us to have access to credit. Those who understand the importance of treating their credit obligations responsibly today are laying the foundation for a stable financial future.



Do Your Homework before Heading to College

With the high cost of tuition today, many families of college-bound high school seniors wonder how they are going to afford their college education. Accel encourages you to do your homework to find creative ways to reduce costs. Here are some ideas to get you started:

- 1. Take as many Advanced Placement (AP) courses as possible.** Encourage your student to take AP courses and prepare well for AP exams. High scores on AP exams can save considerably on college tuition. Many colleges award course credits for them, which can reduce the amount you need to pay in tuition.
- 2. Pay less for a four-year degree.** You can save on costs if the student attends a community college for two years and then transfers to a pricier school for his or her remaining two years. However, be sure that the college to which the student plans to transfer will accept the credits from the community college.

- 3. If you have to borrow, pursue federal loans first.** Avoid having the student take on private loans.



- 4. Take advantage of education tax benefits.** After all, a dollar you can save on your taxes is worth the same as getting an additional dollar in grant or scholarship aid. Visit www.irs.ustreas.gov to learn more.
- 5. Refrain from putting tuition on a credit card.** If you put large tuition payments on credit and do not immediately pay the amount in full, you will end up spending significantly more money in the long run due to the credit card interest rates.

Excerpts taken from "12 tips on paying for college in tough times, Princeton Review on how to save money, get the most from financial aid," Money, TODAYshow.com

Communicating with Your Creditors

Communicating with your creditors early and often is vital to the process of resolving debt issues. If you know you won't be able to pay a bill on time, contact the creditor immediately. Accel recommends following these steps when communicating with your creditors:

- 1. Make the Call**
Call your creditors as soon as you realize you won't be able to pay your bills and clearly explain the situation causing your financial challenges. Also, explain any encouraging financial developments coming in the near future (such as a new job, tax return, divorce settlement, disability payments, etc.). Creditors are more likely to work with you if they know you'll have sufficient future income.
- 2. Speak with a Decision Maker**
The first person on the phone is usually a customer service representative, who may or may not have the ability to help. Ask to speak with a manager or supervisor regarding your account.
- 3. Know Your Options**
There is more than one way to approach a debt when times are tight. Your lender may be willing to offer you a hardship program that temporarily reduces your monthly payment. Or you may be able to negotiate a modified payment program such as a loan re-write, extension, deferment or change to your due date.

- 4. Propose an Alternative Payment Plan**
Many creditors have pre-defined internal programs available to help people in trouble. Depending on the creditor, your own negotiated terms may be more advantageous than a standard offer from the creditor. Start by suggesting something you can afford — for example, half of the required minimum payment, with no fees, for three months — and see what happens.
- 5. Create a Paper Trail**
Carefully log all dates, times and names of the people you spoke with, including the terms of any agreements. Also, save any letters or emails from creditors. Having copies of your correspondence can be a great asset if the circumstances become dire and you have to go to court.
- 6. Follow Up with a Letter**
Follow up all calls with a letter sent by certified mail, and be sure to request a return receipt. The letter should include your account number, current interest rate and payment, and should summarize your financial hardship and the new agreed upon terms.

As you go forward with your negotiation, know your abilities and limitations. Pay close attention to your budget and what you can afford while negotiating with your creditor.

As a member of ICON Credit Union, you can take advantage of the *Accel* program, a **free** financial education and counseling program. To use this service, simply call 1-877-33ACCEL (332-2235) or visit them on the web at www.accelservices.org.

