THE COMPLETE GUIDE TO

RESPONSIBLE CREDIT CARD USE



Horizon
Federal Credit Union

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INTRODUCTION

Credit cards: Can't live with them, can't live without them! Though they can be the key to affordable long-term loans, credit cards are also a big reason why U.S. consumer debt is at $13.86 trillion. They can earn some lucky shoppers thousands of dollars in free miles and rewards, yet they also help millions of consumers buy things they really can't afford.

Credit cards are either the best thing since home-brewed coffee or the worst innovation to ever rock the world of personal finance. It all depends on how you play the game. But how do you get ahead of the credit card debt trap while building up your score so you can reap the rewards of responsible credit card usage?

As your credit union, we are committed to helping you achieve complete financial wellness — credit card usage included. That's why we've compiled this comprehensive guide for all you need to know about using your credit cards responsibly. You'll learn how to amp up your credit score and keep it high, jump off the hamster wheel of credit card debt, know when it makes sense to pay with plastic, keep your credit card information secure and so much more.

Get ready to master the art of the credit card!


ALL YOU NEED
TO KNOW ABOUT
ACHIEVING AND
MAINTAINING A
HIGH CREDIT SCORE

A healthy credit score is one of the key components of financial wellness. Your credit score will help you qualify for affordable loans and open all sorts of doors for you in your personal life. In the section below, you'll learn all about achieving and maintaining a high credit score.

WHY DOES MY CREDIT SCORE MATTER?

Your credit score is made up of three numbers, serving as an indicator of your financial history, wellness and responsibility. These three little numbers can spell the difference between approval and rejection for a mortgage, a job, a rental unit and so much more.

We have outlined how your credit score is calculated, why it matters and some steps you can take to improve your score.

How is my credit score calculated?

There are three major U.S. credit bureaus: Experian, TransUnion and Equifax. Each one collects and shares information about your credit usage with potential lenders and financial institutions. Most lenders use this information, along with the FICO scoring model, to calculate your credit worthiness. Some lenders use the VantageScore model instead of or in addition to FICO.

While there are several slight differences between the FICO and VantageScore formulas, both scoring models look at the following factors when calculating your score:

- THE AGE OF YOUR CREDIT. How long have you had your oldest credit card or credit line? When was your first loan? A longer credit history generally boosts your score.

- THE TIMELINESS OF YOUR DEBT PAYMENTS. Are you paying all of your commitments on time? Chronic late payments, particularly loan and credit card payments, can drastically reduce your score.

- THE RATIO OF YOUR OUTSTANDING DEBT TO AVAILABLE CREDIT. The VantageScore formula views consumers with a lot of available credit as a liability, while the FICO formula considers this a point in the consumer's favor.

- THE DIVERSITY OF YOUR CREDIT. Lenders want to see that you have and have had several kinds of open credit. For example, you may be paying down an auto loan, a student loan and using three credit cards.

- THE TRAJECTORY OF YOUR DEBT. Are you accumulating new debt each month, or slowly working toward paying down every dollar you owe?

- YOUR CREDIT CARD USAGE. Financial experts recommend having several open credit cards to help boost your credit score, but this only works if you actually use the cards and pay off your bills (on time!) each month. It doesn't help much to have the cards sitting in your wallet (unless one of them is your oldest credit line).

How does my credit score affect my life?

Your credit score serves as a gauge for your financial

wellness to anybody who is looking to get a good idea of how responsible you are with your financial commitments.

Here are just some ways your credit score can affect your day-to-day life:

- LOAN ELIGIBILITY: This is easily the most common use for your credit score. Lenders check your score to determine whether you are eligible for a loan. The larger the loan, the stricter the requirements. A poor credit score can hold you back from buying a house, a car, or getting a personal loan at the credit union.

- INTEREST RATES ON LOANS: Here, too, your credit score plays a large role in your financial reality. A higher score can get you a lower interest rate on your loan, and a poor score can mean paying thousands of extra dollars in interest over the life of the loan.

- EMPLOYMENT: A study by the Society for Human Resources Management found that 47 percent of employers look at the credit scores of potential employees as part of their hiring processes.

- RENTING: Many landlords run credit checks on new tenants before signing a lease agreement. A poor credit score can prevent you from landing that dream apartment, or it can prompt your landlord to demand you make a higher deposit before moving in.

- INSURANCE COVERAGE: Most insurers will check your credit before agreeing to provide you with coverage. Consumer Reports writes that a lower score can mean paying hundreds of dollars more for auto coverage each year.

It's crucial that you make the effort to improve and maintain your credit score. It's more than just a number;

it will impact your financial wellness for years to come.

5 WAYS TO IMPROVE YOUR CREDIT SCORE

If you're planning on taking out a large loan in the near future, applying for a new job, renting a new unit or you just want to improve your score, follow these steps:

1. PAY YOUR BILLS ON TIME. If you have the income to cover it, but getting things paid on time is a challenge for you, consider using automatic payments.

2. PAY MORE THAN THE MINIMUM PAYMENT ON YOUR CREDIT CARDS. Your credit score takes the trajectory of your debt into account. By paying more than just the minimum payment on your credit cards, you can show you're working on paying down your debt and help improve your score.

3. PAY YOUR CREDIT CARD BILLS BEFORE THEY'RE DUE. If you can, it's best to pay your credit card bills early. This way, more of your money will go toward paying down your outstanding balance instead of interest.

4. FIND OUT IF YOU HAVE ANY OUTSTANDING MEDICAL BILLS. You may have an unpaid medical bill you've forgotten about. These can significantly drag down your credit score, so be sure to settle any outstanding medical bills as quickly as possible.

5. CONSIDER DEBT CONSOLIDATION. If you're paying interest on multiple outstanding debts each month, you may benefit from paying off your debt through a

new credit card that offers an introductory interest-free period, or from taking out an unsecured loan at the credit union. This way, you'll only have one low-interest, or interest-free, payment to make each month. (Note: If you'll be applying for a large loan within the next few months, it's better not to open any new cards.)

By making an effort to be responsible in repaying your debts, and structuring your debt to keep it manageable, you'll be improving and maintaining a strong credit score. These simple, but important, behaviors can save you from having to work extra hard later to repair any tarnished credit that might have resulted from not doing so.

HOW TO BUILD UP CREDIT FROM SCRATCH

Building your credit history from the bottom up can be a tricky business. You won't qualify for a large loan or substantial line of credit, but without those kinds of transactions and accounts in your file, how can you start building your credit?

It's a complicated question, but we've got the answers. You'll need to start slowly, and it may take a while before you begin seeing results. With time, effort and responsible financial choices, you can build an excellent credit history, which will positively impact your financial health for years to come.

Here are six steps you can take to get the ball rolling on your credit file.

1. VISIT YOUR CREDIT UNION

The first step on your journey toward a healthy credit history should be a stop at the credit union. Speak to an MSRP about opening your very first credit card right here. We offer introductory credit cards to many members even when they don't have a substantial credit history. This can be a great way for you to start building your credit.

2. OPEN A SECURED CREDIT CARD

Secured credit cards are starter cards requiring you to make a deposit before you can open a line of credit. The card issuer will hold this deposit for a fixed amount of time as collateral in case of a missed payment. For example, a secured card issuer that requires a $300 deposit will offer you a $300 credit limit and hold onto that money for eight to 12 months, at which point you will get your deposit back if there is no outstanding balance on your card. You can then close your account and open an unsecured credit card.

Secured credit cards are not long-term solutions because of their steep interest rates and various attached fees, which include fees for application, processing and annual fees. They are a great first credit card because almost anyone can qualify for one.

When researching your options for a secured credit card, look for one that does not charge an annual fee and also reports to all three credit bureaus: TransUnion, Equifax and Experian.

3. OPEN ONE OR SEVERAL LOW-BALANCE CARDS

There are several credit card companies, including Capital One and Credit One, offering cards specifically geared to the new credit card owner. These cards do not require a credit history to qualify, though you may

need to prove that you pay your bills on time and lead a financially responsible life. The starting credit line they'll give you can be as low as $200, but they're an excellent way for you to break into the credit card world when you're starting from the very bottom.

If you can swing it, open two or three of these cards in your name.

4. USE YOUR CARDS RESPONSIBLY

It's not enough to have credit cards open in your name; you need to use them and make timely payments. With a starting balance of $200 or so, you'll have to be careful to spend just a bit each month. Otherwise, your credit utilization, or the ratio of available credit you use, can be too high and will actually hurt the score you're trying to build. For this reason, keep your card spending to less than 30% of your available credit limit and pay your bills in full — and on time. You can set up an automatic payment so you never miss a bill.

It may take a while, but you'll slowly start to build up your credit file. After a year or so, you may be offered the option of increasing your available credit. Accepting this offer will increase your score further.

5. BECOME AN AUTHORIZED USER

Another great way to boost your score is to have your name added to an existing card. If you have a family member or partner who has an excellent score and a credit card that they've had for a while, ask them about making you an authorized user on their card. This will add the card's payment history to your growing credit file and can significantly increase your score. Keep in mind, though, that any time you use the card, the primary account holder will be responsible for paying the bill.

Also, some credit card issuers charge an annual fee for adding an authorized user. Finally, find out whether the card issuer reports authorized user activity to the credit bureaus so this step isn't wasted.

6. REPORT YOUR RENTAL PAYMENTS

On-time credit card payments are crucial for a healthy credit file, but there are other monthly payments you can use to build your score. Did you know that your monthly rental payments can be added to your credit history? You'll need to sign up for a rent reporting service like PayYourRent.com, but the minimal effort is worth the difference this step can make to your score.

Building and maintaining a healthy credit file can take serious effort and commitment, but it's one of the most crucial elements of a financially responsible life.

CAN I TRUST CREDIT KARMA?

If you're trying to increase your credit score ahead of applying for a large loan, you may consider signing up for Credit Karma to track your score. Here's what you need to know about the online credit service.

What is Credit Karma?

Credit Karma is an online service that operates under the principle that everyone is entitled to a free and honest credit score. To that end, the site allows you to

check your credit whenever you'd like without paying fees — a privilege that can cost you about $20 a month from its competitors. You'll need to sign up for the service and share some sensitive information, like your Social Security number and your financial goals, but you won't be asked for any credit card numbers or account information.

Scores are updated once a week, and the company only performs a "soft inquiry" on your credit to get the necessary information. This means your score is never impacted by it checking your credit on your behalf. Credit Karma also offers lots of credit advice, customizable loan calculators and reviews on financial products of all kinds.

Credit Karma earns its profit through targeted ads. As you learn your way around the site and start to frequent it more often, you'll see ads that are geared toward your specific financial situation. For example, if your credit is excellent and you're looking for a home loan, you'll probably find loads of ads featuring mortgage providers. While this may seem like a breach of privacy, it's no different than the way much larger online platforms you likely use, including Google and Facebook, earn a profit.

How does Credit Karma calculate my score?

The online credit company uses information from two of the three major credit reporting agencies, TransUnion and Equifax, to give you a VantageScore 3.0 score. While this type of credit score is gaining popularity among lenders, you may not recognize it — and for good reason. The FICO scoring model is by far the most widely used credit score among financial institutions and lenders across the country, with 90% of lenders using this score

to vet potential borrowers.

The atypical scoring model used by Credit Karma, coupled with the absence of information from Experian, the third of the three major credit reporting agencies, tends to make Credit Karma scores differ from scores pulled by other companies and financial institutions. The credit service is usually within range, though, and a good indicator of your overall credit wellness. You can also get a report with a thin credit history through this model, which is super-helpful for those seeking to build their credit from nothing.

How do other lenders calculate my score?

Most financial institutions use a FICO scoring model to measure consumers' credit scores. As mentioned, this number will likely be different from the score you see on Credit Karma, but will fall within the same general range.

It's also important to note that, each time you apply for a specific kind of loan with an individualized lender, that lender will likely also use its own customized formula. For example, if you were applying for a mortgage with a home loan company, it would probably use a score that is specifically developed for mortgage loans. Similarly, if you were to apply for a car loan from an auto lender, it will use its own score designed to predict the likelihood of you defaulting on an auto loan. This can result in an even lower credit score from these lenders.

Is there any other way to get my credit score?

If you're looking for a more precise credit score, you have several options. You can ask a potential lender to pull your credit, though this might cost you both in fees and in a knock to your credit for the hard inquiry. You can order your free credit report with information from all three credit bureaus once a year, at AnnualCreditReport.com. Lastly, for more frequent monitoring, you can sign up for access to your FICO score and 3-bureau credit report on Experian.com, where packages start at $19.99 a month. There are similar services available, but most are not legitimate or are grossly overpriced.

GOOD HABITS THAT CAN HURT YOUR CREDIT SCORE

Credit scores affect you significantly. Employers, landlords and bill providers look at credit scores, and a lower credit score can also mean higher costs. So, looking to act responsibly, you pay your bills on time, are careful not to max out credit lines and don't default on loans. Surprisingly, though, some actions you're taking to improve your credit score may actually be hurting it.

Here are four habits that might be hurting your credit score:

1. DEBT SETTLEMENT

Settling old debt seems like an easy way out. In such scenarios, you'll make an agreement with a third party and ultimately pay only a portion of your debt as the owner writes off the rest; however, it's almost always

better to pay the debt back in full. Settling on a debt can reduce your credit score by as much as 100 points. The debtor took your settlement on the assumption they'd never see the full amount owed, and future lenders will be hesitant to lend to you out of the fear of landing themselves in the same situation.

2. TURNING DOWN CREDIT

Rejecting a higher credit limit seems like a smart way to limit spending; however, a higher credit limit is beneficial. It can boost your score significantly through a credit utilization ratio: the ratio of your credit card balance to your credit card limit. The less you spend relative to your limit, the higher your score in terms of this factor. With a higher credit limit and maintaining your same spending habits, you'll be using less of it, directly increasing your score.

3. AVOIDING CREDIT CARDS

Many people believe it's simply easier to not have a credit card. While this might simplify your life initially, it can complicate your relationship with credit in the future. You don't need credit for day-to-day purchases, but you'll need it for a home loan, auto loans and to prove to potential landlords and employers that you're trustworthy. If used responsibly, a credit card is very beneficial.

4. CLOSING PAID ACCOUNTS

Once you've paid off a credit card, you might want to close the account, but credit reporting agencies say otherwise. The length of your credit history impacts as much as 15% of your credit score, so keep your accounts as long as possible.

Additionally, your credit utilization score represents 30%

of your total score. Closing an account eliminates that available credit, thus lowering that balance-to-limit ratio. Destroy the card, but don't cancel it. If there's no annual fee, keep the account open just to improve your score.

DO MY MONTHLY BILL PAYMENTS AFFECT MY CREDIT SCORE?

If you're working on improving your credit score, you are likely being extra careful about paying your bills on time. Unless you're delinquent on your payments, they will not be reflected in your credit score.

Fortunately, though, there is a way out. Here are four steps that can help your on-time monthly payments boost your credit score.

1. USE A RENT-REPORTING SERVICE

Your monthly rent payments can reflect positively on your credit score, but only if the credit bureaus know you're paying your rent on time. They won't accept this information from consumers, but you can sign up for a rent-reporting service, which will pass on this information to one or two of the three major credit bureaus. Some of these services are free, though most charge for it, with fees reaching up to $100 a year.

Here's a quick overview of some of the more popular rent-reporting services:

- Rent Reporters: For a one-time enrollment fee of $94.95, your rent payments will be reported to TransUnion and

Equifax for two full years. If you want to continue with the service after the initial two-year period, the cost is $9.95/month.

- Rental Kharma: You'll pay $25 for the initial setup and then $6.95/month. Rent reporting through this option is shared only with TransUnion.

2. SIGN UP FOR EXPERIAN BOOST

Since early 2019, the Experian credit bureau has offered consumers the opportunity to have utility bills reflected on Experian credit scores. To sign up for the service, Experian requires access to your checking account information so the agency can identify your bill payments. Once it's found the relevant information, Experian will ask you to verify the details and to confirm that you want this information included in your credit report. Once consent is received, your credit score boost will happen instantly.

Experian Boost only accepts on-time payments and, consequently, can only improve your score. If you neglect to pay any reported bills for three consecutive months, the change in your score will be reversed and will fall back to its previous level.

It's also important to note that Experian Boost only increases your Experian score; it does not affect your Equifax or TransUnion scores.

3. USE SIMPLEBILLS

SimpleBills is a service that currently reports utility bills to Equifax, with plans to include TransUnion and Experian in the future. The credit-reporting service charges $2.99/month and can be helpful for those who want to improve their score for building a credit history and/or to qualify for a credit card or loan.

Unfortunately, while your Equifax number may see an increase through SimpleBills, major score algorithms, like FICO and Vantage, might not consider this data when calculating your score.

4. GO OFF THE BEATEN TRACK

If none of these options sounds attractive to you, consider going the unconventional route by seeking an alternative score.

Alternative scores, like the PRBC or the FICO XD Model, will include information like your cable, rent, insurance, phone, utility and student loan payments when calculating your credit score. Some alternative scores will integrate this data on their own, while others will allow you to self-report these payments, sometimes charging a nominal fee.

While alternative scores can help individuals appear responsible for prospective employers and landlords, they won't do much to build your real credit history or to make you eligible for a large loan.

If you're serious about improving your score, you can take one or all of the steps outlined here to help your on-time bill payments boost your numbers. For the biggest impact on your score, make sure you are paying all your credit card bills on time, and preferably in full. Don't open any new cards while working on improving your score, and keep your credit utilization low.


DITCHING THE DEBT

Credit cards have almost become synonymous with debt — and for good reason. Credit card issuers make it easy for the consumer to spend and swipe until they're in over their heads with debt, and then only demand the minimum payment each month so hardly any funds go toward paying down the principle of the debt.

Luckily, you can get out of the credit card debt cycle.

UNDERSTANDING THE CREDIT CARD TRAP

Did you know the average American household carries $6,358 in credit card debt?

If that doesn't sound too alarming, consider this: A debt of $5,000 with an interest rate of 24.99% APR (which is the current rate of a typical Capital One or Citibank card), where only the minimum payment is made each month and no additional charges are made to the card, accumulates $4,823 in interest over five years. That means the cardholder would be paying nearly double the amount that was originally spent!

Why do most Americans carry so much credit card debt and find themselves stuck in the debt trap? Let's take a deeper look at credit card usage, debt and interest rates so we can understand this phenomenon and ensure credit cards are used responsibly.

The minimum payment mindset

According to the National Bureau of Economic Research

website, a third of credit card holders make just the minimum payment each month.

Here's how it usually happens: You use your card for a purchase you can't really afford, or you want to defer paying for it from your savings. When your credit card bill arrives, you either choose to make just the minimum payment or it is all you can afford to pay at the time. You figure you'll pay off the rest when your finances improve. Soon, you're in the trap of pulling out your card whenever you want to purchase something that's beyond your budget. Since you're only making the minimum payment, it seems like it doesn't matter all that much if your credit card debt grows a little larger. From there, the cycle continues as debt climbs and you continue using your card for purchases you'd be better off not making.

This is a quick illustration to show how your "small balance" of just a few thousand dollars can really mean paying more than double that amount over the years because of interest.

Also, when you're trapped in this mindset, the balance you owe barely budges. With a debt of $5,000 and a minimum monthly payment of $150 (at 3% of the total balance), you'll only be paying $47.30 toward your principal each month. The rest goes toward your interest accrued.

Take a moment to think about this the next time you decide to use your credit card to pay for something you can't afford. Is it worth paying $5,000 over the next five years for a $2,500 vacation?

Credit scores and prolonged debt

Another important aspect of prolonged credit card debt

is the detrimental effect it can have on your credit score. Your credit score gives potential lenders and employers an idea of how financially responsible you are.

One of the crucial factors used in determining your credit score is your debt ratio, or the percentage of available credit that you've already spent. In most credit score formulas, the more credit you've used, the lower your score. If you've fallen into the habit of using your credit card whenever you're short on cash, and are only making the minimum payment each month, you likely use a high percentage of your available credit.

Even worse is when your credit card company sees that you're running low on available credit, and may offer to increase your line — or even do it automatically. If you agree to the upgrade, there's nothing stopping you from racking up another huge bill, further decreasing your score.

Another important component of your credit score is the trajectory of your debt. If you're barely making progress on paying off your balance, you won't score high in this area either.

A low credit score can prevent you from qualifying for a mortgage, auto loan or even an employment opportunity. If you do get approved for such loans with your less-than-stellar credit score, you'll likely be saddled with a hefty interest rate, which significantly increases your monthly payments and the overall interest you'll pay.

Is it really worth racking up that credit card bill?

Should I throw out all of my credit cards?

Hold onto your cards. You need to have some open and active cards for maintaining a healthy credit score; however, it's important that you use your cards responsibly.

First, be careful not to fall prey to the minimum payment mindset. Live within your means and learn to find happiness in what you have instead of chasing the elusive and transient thrill of material possessions. Before using your card for something you can't afford, imagine this purchase haunting you for years to come. Is it worth paying double the amount it costs in interest payments? Is it worth harming your financial health?

Second, if you're already carrying a large credit card balance, stop using that card and work on increasing the amount you pay off each month. Even a relatively small monthly increase can make a big difference in the total amount you ultimately pay toward your balance.

Third, to use your cards responsibly and to keep your score high, it's best to use your credit card for non-discretionary payments, like your monthly utility bills. This way, you'll be keeping your accounts active without running the risk of overspending. Remember to pay your credit card bill on time to avoid paying interest.

Finally, take a long look at your current cards. What's the interest rate on each of them? Chances are, you'll have a much lower rate when you switch to a card at your credit union. You can save hundreds of dollars in interest payments and finish paying down your debt quicker.

THE DOS AND DON'TS OF CREDIT REPAIR

If you've recently been rejected from a credit application of any kind, you may be looking at a poor credit score for any number of reasons. You might have been late

with your credit card payments, have an outstanding judgment against you or have even been frauded or victimized by identity theft.

Whatever the cause of the fall in your score, you're probably looking for ways to get it back on track. Tread carefully! There are lots of dishonest opportunists looking to make a quick buck off your pressing need. Don't become the next victim of a credit repair scam. In fact, there's nothing a credit repair company can do for you that you can't do yourself.

This probably has you wondering how to untangle the legitimate steps you should be taking now from the pointless and costly actions. Look no further! Our handy guide to credit repair dos and don'ts will help get you on the road to improving your credit score.

Do: Determine your actual credit score

If a recent credit application of yours has been denied, don't take it at face value — find out why it happened. The three major credit reporting agencies — Equifax, Experian, and TransUnion — are each required to provide you with a complimentary copy of your credit report once a year, upon request. To order yours, visit annualcreditreport.com, or call 1-877-322-8228.

If you've already requested a report from each of the agencies in the last 12 months, you can still get one free of charge; you are entitled to a free report whenever a company takes adverse action against you, such as denying your application for credit, insurance or employment. To qualify, just request a report within 60 days of receiving notice of the action.

Do: Review your report and dispute any errors

Once you receive your report, review it for inaccuracies. If you spot any fraudulent purchases or erroneous information, dispute them in writing. In your letter, identify every item you are disputing and the reasoning for your claim. Include copies of documents supporting your stance and ask that the errors be removed or corrected. It's best to send your letter by certified mail so you can ensure the credit reporting company actually received it. Also, keep a personal copy of your letter and all supporting documents for your own records.

Finally, you'll also need to dispute the charge with the actual creditor, taking the same steps you did above.

Don't: Expect any quick fixes

Anxious as you may be to improve your score, know that there is no "quick fix" for creditworthiness. Enhancing your score takes time, lots of hard work and creating and sticking to a realistic debt repayment plan.

If your credit score is poor, you may be bombarded with promotional material from credit repair companies promising to increase your score by 100 points in less than a month. If you think these claims sound too good to be true, you're right. There are some legitimate credit repair companies, but as mentioned, there's nothing they can do for you that you can't do on your own — and without paying their hefty fee.

Do: Take steps toward fixing your credit

If you've determined that your credit report is accurate,

you'll want to take a careful look at the habits that may be leading to your unfavorable score.

Are you timely with your credit card payments? If you're consistently late, consider setting up an automatic bill-pay system so you never forget to make a payment. Are you making headway on your debt? If you're paying your bills on time but your debt is not going anywhere, it's time to rethink your spending habits. Don't shop with credit cards; use only debit or cash. Look for ways to trim your expenses, like couponing wherever possible, planning dinner menus around sale items and finding cost-free ways to relax instead of blowing money at a restaurant or on retail therapy.

Are your monthly bills unmanageable? If you can't make it through the month and still meet all your minimum payments, your debt may need an overhaul. Consider debt consolidation, in which your debt is transferred to one low-interest account, or a balance transfer to a card that has an interest-free period. Be aware, though, that lots of open credit is not considered favorable by creditors. Close as many accounts as you open — but leave your oldest one open as it shows a longer period of credibility.

Also, no card is interest-free forever. When the introductory period ends, you may be hit with higher than usual interest rates. Alternatively, you can contact your creditors and work out a more reasonable payment plan.

If these options don't sound feasible, try finding ways to increase your income instead, using all extra cash exclusively for paying down your debt.

Don't: Expect to see any changes immediately

Don't fret if you've made strides toward fixing your credit and haven't yet seen an increase in your score. Creditors will only report to the credit reporting agencies on a periodic basis, usually once a month or even quarterly. It may take upward of 30 days or more for your account to be updated and your score to improve.

Do: Ask us for help

Here at your credit union, we're all about helping you manage your finances. If you're in financial trouble of any kind, or just want to get ahead of things so it doesn't head that way, we can help! Stop by today to ask about our credit counseling services and assistance with creating and sticking to a budget.

SHOULD I MAKE A BALANCE TRANSFER?

Transferring some of your credit card debt to a card that offers an introductory interest-free period can help you move toward a debt-free life; however, there are some things you'll want to be aware of first.

To help you make the right decision, we've outlined the pros and cons of balance transfers.

Pros

1. INTEREST-FREE DEBT

Obviously, your biggest push for making a balance transfer is to not accrue interest on the debts you're transferring. Depending upon the offer, you may get up to 21 months with no interest. If you're stuck with a high-APR credit card, you can easily be paying upward of $80 a month just in interest! A balance transfer will allow you to take a real bite out of your debt and make progress toward getting rid of it completely. You'll be saving money and working toward an important goal at the same time.

2. CONVENIENCE

The greater the number of monthly bills you need to pay, the greater the chance of missing a payment. A balance transfer may allow you to consolidate the balances of several different cards into one. This way, the number of monthly payments will go down, and it will be that much easier to keep on top of payments.

3. MOTIVATION

Too often, people get trapped in a cycle of debt. When they feel like they're in over their heads, they continue swiping and spending as they please, figuring that another few hundred dollars won't make a difference to what's already a huge mountain of debt.

Many people find that taking this significant step toward paying down debt motivates them to be more careful with their spending habits. After all, you aren't trying to get rid of your debt just so you can rack up another bill.

Cons

1. HIGH INTEREST FEES

Yes, you read that right. The appeal of an interest-free credit card is what draws you into making a balance transfer in the first place. At the end of a predetermined amount of time — anywhere between 6 and 21 months — your new interest rate may be unusually high. While you may plan on paying down your balance before the new rate kicks in, circumstances may dictate otherwise and you'll find that you're unable to even meet the minimum payments. Similarly, if you're only doing a transfer for a year-long reprieve from interest, you're essentially treading water without making progress on your debt.

Also, many balance transfer cards do not offer the same interest-free deal for any new purchases you make on the card after the transfer. If you plan on using this card for day-to-day purchases, you may be biting off more than you can chew.

2. TRANSFER FEES

Most balance transfer offers charge a minimum of 3-5% of the balance you're transferring in exchange for assuming that balance. While this fee may be nominal in the face of the interest you can save, it's important to note that balance transfers are not usually free of charge.

3. YOU NEED EXCELLENT CREDIT

One of the biggest problems with balance transfer cards is that those who need them most don't qualify. This is understandable as the new credit company doesn't want to wind up paying for delinquent credit card bills. But, if you're considering a transfer, bear in mind that you usually need to have a good to excellent credit score — at

least 700.

4. INCREASED MONTHLY BILLS

Too often, a company offering to accept interest-free balance transfers will only accept a portion of your balance. Or, your original credit card company may not allow your entire balance to be transferred because it doesn't want to lose out on all that interest. This means you'll be adding one more monthly bill to deal with. This can complicate your money management, and up your chances of missing a payment — something you always want to avoid.

If your entire balance is not transferable, always give priority to your interest-free payment but do not neglect your other bills. Missing a monthly payment can really hurt your credit score.

5. NEGATIVE IMPACT ON YOUR CREDIT SCORE

Until the recent changes to the VantageScore system, having lots of available credit was considered a good sign. Now, though, having less credit while still using a small percentage of your available credit is considered the smarter choice. Opening a new card without closing an old one means you will have more credit available and may actually lower your score. Also, having lots of open cards will make lenders view you as a risk, making it more difficult to qualify for auto loans and the like.

If you find yourself sinking in credit card debt but don't think a balance transfer is the right choice, we can help! A personal loan may be just what you need to get you on the right track toward debt freedom.

Call, click, or stop by your credit union today, to find out about our competitive rates and options on personal loans.



USING YOUR CREDIT CARDS

When it comes to paying with plastic, there are so many questions. What's the magic number of credit cards you should have in your wallet? Should you pay your bills with your credit card or have it automatically taken from your checking account? How is swiping a credit card different from using your debit card? Is it OK to lend out your credit card?

So many questions — but we've got answers! Learn all about responsible day-to-day credit card usage in the section below.

CREDIT CARDS 101: WHAT DO I NEED TO KNOW?

Using your credit cards responsibly is a great way to boost your credit score and your financial wellness. Unfortunately, though, credit card issuers make it challenging to stay ahead of monthly payments and easy to fall into debt with credit card purchases.

Refresh your credit card knowledge

Understanding the way a credit card works can help the cardholder use it responsibly. A credit card is a revolving line of credit allowing the cardholder to make charges at any time, up to a specific limit. Each time the cardholder swipes their card, the credit card issuer is lending them the money to make the purchase. Unlike a loan, though,

the credit card account has no fixed term. Instead, the cardholder will need to make payments toward the balance each month until the balance is paid off in full. At the end of each billing cycle, the cardholder can choose to make just the minimum required payment, pay off the balance in full or make a payment of any size falling between these two amounts.

Credit cards tend to have high interest rates relative to other kinds of loans. The most recent data shows the average industry rate on new credit cards is 13.15% APR (annual percentage rate) and the average credit union rate on new credit cards is 11.54% APR.

Pay bills in full, on time

As mentioned, the best way to keep a score high is to pay credit card bills in full each month — and on time. This has multiple benefits:

- BUILD CREDIT — Using credit responsibly builds up your credit history, which makes it easier and more affordable to secure a loan in the future.

- SKIP THE INTEREST — Paying credit card bills in full and on time each month lets the cardholder avoid the card's interest charges.

- STAY OUT OF DEBT — Paying bills in full each month helps prevent the consumer from falling into the cycle of endless minimum payments, high interest accruals and a whirlpool of debt.

- AVOID LATE FEES — Late fees and other penalties for missed payments can get expensive quickly. Avoid them by paying bills on time each month.

- ENJOY REWARDS — Healthy credit card habits are

often generously rewarded by the credit card issuer with airline miles, reward points and other fun benefits.

TIP: Using a credit card primarily for purchases you can already afford makes it easier to pay off the entire bill each month.

Brush up on billing

There are several important terms to be familiar with for staying on top of credit card billing.

A credit card billing cycle is the period of time between credit card billings. It can vary from 20 to 45 days, depending on the credit card issuer. Within that time frame, purchases, credits and any fees or finance charges will be added to and subtracted from the cardholder's account.

When the billing cycle ends, the cardholder will be billed for the remaining balance, which will be reflected in their credit card statement. The current dates and span of a credit card's billing cycle should be clearly visible on the bill.

TIP: It's important to know when your billing cycle opens and closes each month to help you keep on top of your monthly payments.

Credit card bills will also show a payment due date, which tends to be approximately 20 days after the end of a billing cycle. The timeframe between when the billing cycle ends and its payment due date is known as the grace period. When the grace period is over and the payment due date passes, the payment is overdue and subject to penalties, in addition to interest charges.

TIP: To ensure a payment is never overdue, schedule a

time for making your credit card payments each month, ideally before the payment due date and definitely within the grace period. This way, you'll avoid interest charges and penalties while keeping your score high. Allow a minimum of one week for the payment to process.

Spend smartly

Credit cards can easily turn into spending traps if the cardholder is not careful. Following these dos and don'ts of credit card spending can help you stick to your budget even when paying with plastic.

DO:

- Treat your credit card like cash when making a purchase.
- Remember that credit card transactions are mini loans.
- Pay for purchases within your regular budget.
- Decrease your reliance on credit cards by building an emergency fund.

DON'T:

- Use your credit card as if it provides you with access to extra income.
- Use credit to justify extravagant purchases.
- Neglect to put money into savings because you have access to a credit card.

Using credit cards responsibly can help you build and maintain an excellent credit score, which will make it easier to secure affordable long-term loans in the future.

HOW MANY CREDIT CARDS SHOULD I OWN?

The importance of maintaining a good credit score may seem like old news. Of course, the higher your score, the more attractive you are to potential lenders; making larger loans and the best interest rates more obtainable.

Hopefully, you're working hard at keeping that score high by using your cards and paying your bills on time. You may be wondering, though, if more is better. Should you open a few more and get more available credit? Or, are too many cards a liability to your score?

How your credit score works

Before we answer the number of cards question, let's further explore the way FICO and other credit scoring agencies, like VantageScore, calculate that all-important credit score.

As a refresher, here are the major components of your credit score:

1. YOUR PAYMENT HISTORY: The timeliness – or lack thereof – of your payments comprises 65% of your FICO score, making it the most important factor. VantageScore doesn't share the percentages it uses, but calls payment history "extremely influential" in determining your score.

2. YOUR CREDIT UTILIZATION: Credit scoring companies look at how much of your available credit you are using. A high amount of available credit — even in aggregate

across multiple cards — is not always a good thing.

3. THE AGE OF YOUR CREDIT: Next up on the list of influential factors is how long you've had your credit cards open. Lenders want to see a long and active history of credit cards and on-time payments.

4. THE KIND OF CREDIT YOU HAVE: A variety of credit types shows that you are an attractive borrower.

The benefits of having multiple cards

Having one open credit card is not sufficient for achieving a high credit score. To give you the best shot at excellent credit, make sure you have multiple open cards. In the long run, this can boost your score in two important areas:

- YOUR PAYMENT HISTORY. When you pay several credit card bills on time instead of just one, this component of your score will go up.

- CREDIT UTILIZATION RATE. FICO likes to see a low credit utilization rate. This means that the more unused credit you have, the higher you will score in this area. Having multiple cards open will automatically increase your available credit. You'll also be able to spread your credit use across several cards, further lowering your overall credit utilization rate.

The right number of credit cards

Are you waiting to hear that magic number telling you exactly how many cards you should have for achieving and maintaining a high score? Well, unfortunately, there is no such "magic" number.

As mentioned, you may want to have several credit cards to increase your credit age and available credit, but there is no specific amount you should have. Instead, let's take a look at the credit cards of consumers who have excellent scores.

The FICO high-achiever statistics track people with FICO scores that top 785. These statistics find that the average FICO high-achiever has seven open credit cards. Of these cards, only four have outstanding balances. The average credit account is 11 years old and the most recently opened account is 28 months old.

So, while you may be quick to observe that several cards may be a good thing, consider the age of the cards in the wallets of high achievers. Perhaps lots of NEW cards won't help you achieve excellent credit. Rather, a proven track record of on-time payments and responsible use of credit is the vital factor here.

When not to open new cards

If you're planning on taking out a large loan, like a mortgage or an auto loan, within the next year, it's not a good idea to start applying for new cards. Here's why:

- HARD CHECKS AFFECT YOUR CREDIT. Every new credit card you apply for means another time your credit history gets pulled. Lots of "hard checks" can negatively affect your score — just what you don't need before applying for a large loan. It may hurt your chances of approval and/or increase your approved rate.

- YOUR CREDIT AGE WILL DECREASE. The age of your credit is determined by taking an average age of all your cards. By opening lots of new cards, you're bringing that average down and hurting your score.

• YOUR CREDIT VARIETY WILL BE LESSENED. Similarly, opening more unsecured cards with revolving credit will lower your credit variety, because you will suddenly have a much heavier amount of unsecured credit lines and less of other types of borrowing.

• TOO MUCH OPEN CREDIT HURTS. While once considered a positive attribute across all credit scoring companies, the recent modifications to the VantageScore have changed all that. Lots of open credit will now negatively affect your VantageScore. This score is used for auto loans and other large loans; though most mortgage lenders currently consider only your FICO score.

Here's the final word on having lots of open credit cards: If you're just starting to build your credit and don't plan on taking out a huge loan soon, it's a good idea to open a few cards. Pay them on time and try not to go above 30% of your available limit on any of them. But, if you plan on applying for a large loan in the near future, give that card acquisition a rest and focus on responsibly using the cards you have.

Whichever category you fall into, remember to use your cards and pay those bills on time! The easiest way to do this is to make it automatic. Set up each of your credit cards to pay for a monthly bill. Then, set up your credit card bills to be paid automatically to ensure you never miss a payment.

Keeping your credit score strong can have positive effects on your finances for years to come!

WHEN DOES IT MAKE SENSE TO PAY MY BILLS USING A CREDIT CARD?

Credit cards and debit cards both offer incredible convenience. With just a quick swipe or a linked account, a payment can be instantly processed. It seems like a no-brainer to use that convenience for taking the hassle out of paying bills. But, is it a smart idea to pay monthly bills with a credit card or debit card?

Choosing to pay a bill with a card can have a significant impact on your general financial wellness — for better or for worse. That's why it's important to consider the many variables of this decision before going ahead with it.

Let's take a closer look at the pros and cons of paying monthly bills with a credit card or debit card.

The advantages of paying bills with a credit card or debit card

There are many reasons you may want to pay your monthly bills with a credit or debit card when possible. Here are just a few of the advantages of paying with plastic:

• AUTOMATE MONTHLY PAYMENTS. Setting up automatic payments for monthly bills through a credit card or debit card will help ensure payments are always on time.

• BUILD CREDIT WITH A CONSISTENT MONTHLY PAYMENT. Using a credit card for a monthly bill is a great way to amp up a credit score without running the risk of overspending. Just be sure to pay the bill in full and on time every time.

• EARN REWARDS FOR MONEY THAT NEEDS TO BE SPENT ANYWAY. Using a credit card that offers rewards for a bill that needs to be paid anyway will help to pile on those rewards points without overspending. Many debit and/or credit card issuers also offer attractive rewards for using the card to pay for specific expenses, including some monthly bills.

• ENJOY CONSUMER PROTECTION. Paying with plastic offers the consumer the advantages of purchase protection, zero or minimal liability in case of fraud, guaranteed returns and more.

• PAY YOUR BILLS QUICKLY WITHOUT THE HASSLE OF WRITING OUT CHECKS AND USING SNAIL MAIL. With a credit or debit card, paying a bill only takes a few clicks or phone prompts.

• BUDGET EASILY. Paying with a credit or debit card makes for easy tracking of monthly spending.

• PAYMENTS POST PROMPTLY. Bill payments made via credit or debit card will generally post within one or two business days. Contrast that with a check that needs to be mailed out, delivered to the correct party and then deposited and cleared before the payment is finally processed.

The disadvantages of paying bills with credit or debit cards

Here's the flip side of paying bills with plastic:

- THERE MAY BE FEES FOR PAYING THE BILL WITH A CREDIT CARD. Pay close attention to the payment options on every bill; some service providers charge a processing fee for paying with a debit or credit card.

- IT CAN MAKE A DIFFICULT FINANCIAL SITUATION WORSE. For consumers who are already carrying a sizable amount of debt, it may not be the best idea to charge a monthly bill to a credit card. Similarly, it isn't responsible to set up an automatic monthly payment through a debit card that is linked to an account that may not have enough money to cover the charge each month.

- CREDIT UTILIZATION MAY CROSS THE THRESHOLD TO AN UNDESIRABLE RATE. One of the key components of an excellent credit score is a low credit utilization rate. For consumers with a minimal amount of available credit, charging too many bills to a credit card can cause their score to plunge.

- INTEREST MAY ACCRUE. Consumers who cannot pay their entire credit card bill each month would be saddled with more accrued interest than they can afford if they choose to pay their monthly bills with a credit card.

Which of my bills can I pay with a credit or debit card?

You will likely not be able to pay the following monthly bills with a credit or debit card:

- Mortgage
- Rent
- Car payments

These monthly bills can usually be paid with a credit

card, but you may need to pay a fee to do so:

- Car insurance
- Home insurance
- Health insurance
- Taxes

The following monthly bills usually allow you to pay with a credit card or debit card, and without a fee:

- Subscription services
- Phone bills
- Utility bills
- Internet providers
- Cable providers

Before deciding whether to pay a specific bill with a credit or debit card, it's best to check with your provider to find out if this is a viable option and if there will be a fee attached for paying with plastic.

The bottom line

Sometimes, paying bills with a credit card or debit card makes perfect financial sense, but it sometimes does not. Before deciding which way to go on any particular bill, consider all the relevant factors detailed above to be sure you're making the responsible choice.

Most people own at least one debit card and at least one credit card. They know they have it, but they may not know about all the differences that exist between using a credit card and a debit card.

CREDIT CARD VS. DEBIT CARD: WHAT'S THE DIFFERENCE?

Believe it or not, there are many. The most basic difference is the fact that each time you use a credit card, you're borrowing money. A debit card, on the other hand, simply transfers your own money from your checking account to the vendor you're paying.

When you use your credit card, your credit union is lending you money, which you'll need to pay back along with interest. A debit card takes funds directly from your account similar to the way checks do — only quicker. Some processing terminals will require a PIN and some will require signature.

Both credit and debit cards are convenient, quick and easy. They're also safer than cash, because cash cannot be replaced if lost or stolen.

Which one should you use? The answer depends largely upon your lifestyle.

1. BUDGETING

Credit cards allow you to buy now and pay later. Unfortunately, this can turn into a nightmare because of the obvious financial pitfalls in being able to purchase things you don't have the money for now. If you think you'll be tempted to overspend, regular credit card use may not be ideal for you.

On the other hand, it's nearly impossible to incur

thousands of dollars of debt through debit card usage. Most credit unions will cover purchases that put your account into the red, but only up to a few hundred dollars. If this happens, you're accountable for your purchases and charged an overdraft fee.

2. SAFETY

The convenience of debit cards can make fraud more likely. Unless reported promptly, debit card theft or fraud can quickly drain your account. Credit card companies are held to strict liability laws: Consumer liability for credit card fraud is limited to $50. If you report suspicious charges in a written request within 60 days, the company is obligated to investigate and restore the funds to your account if the charges are determined to be fraudulent.

For debit card fraud, your liability is $50 if you notify the credit union within two days of seeing the fraudulent charges. After two days, your liability increases to $500. If you report the activity 60 days or more after it happened, you may be liable for all of it. Although many credit unions have implemented voluntary plans to limit customer liability to $50, there is no federal law requiring them to do so.

In addition to stricter liability laws, credit cards offer consumer protection on purchases. You can always cancel a charge if you are the victim of an online scam, bought something that was never delivered, or wasn't what you expected. This makes credit cards the ideal choice for large or fragile purchases that will be delivered to your home, as it is additional insurance on the purchase.

3. REWARDS

One major draw for credit cards is the points awarded for purchases. That's a strong advantage over debit cards.

The ability to earn airline miles and the lure of a possibly free flight are attractive to many consumers. Of course, you may be paying for those miles with a high interest rate and/or an annual fee.

Don't get hooked on the points. Research each card carefully to make sure you're really getting your money's worth.

4. CREDIT HISTORY

Another important benefit to using a credit card is establishing or restoring a positive credit history. Debit card usage may encourage responsible spending, but a major factor in measuring your credit score is your credit card usage. Occasionally using a credit card and paying your bill on time can really improve your credit rating. This, in turn, improves the likelihood of earning favorable terms for home loans, auto loans, personal loans and more.

5. ANNUAL FEES AND INTEREST

A strong disadvantage of credit cards is the money you spend to keep them. Some cards charge an annual fee, and the interest on your credit card bill can easily be a third of your payment or more. If you've overspent one month and are unable to cover the entire amount due, you may need to pay only the minimum payment. More of your payment will soon be going toward interest than toward lowering your bill. This makes the next payment higher, and again you'll be paying a significant portion toward interest. This is often how credit card debt spirals. Interest becomes a huge hurdle, making it nearly impossible for the consumer to make headway.

If you don't think you will be able to pay your bills in a timely manner, keep credit card usage to a minimum.

SHOULD I LEND OUT MY CREDIT CARD?

While circumstances vary, lending out your credit card to friends and family is generally not a recommended practice. Here are six reasons to say no when a friend, partner or family member asks to use your credit card:

1. YOU'RE MAKING YOURSELF VULNERABLE TO FRAUD.

While it is not against the law to lend out your card, you are likely breaking the rules of your credit card contract by doing so. Worse, you're opening yourself up to unprotected fraud.

Federal law puts the cap on credit card holders' liability for fraudulent charges at $50. In addition, many credit cards offer extra protection against fraud to keep you covered; however, none of these laws and stipulations applies if you've willingly lent out your card and fraud ensued. If your friend lost your card, was irresponsible with keeping its information secure or was simply in the wrong place at the wrong time and your card was hacked through no fault of their own, you'll have to bear the brunt of that fraud. Even a zero-liability policy will not protect you if you've performed an act of "gross negligence" — which includes lending out your card.

2. IT CAN HURT YOUR CREDIT SCORE.

If your friend, partner or family member is asking to use your credit card for a purchase, there's a good chance their own credit is shot. If your credit is still in good shape, why risk hurting your score by allowing someone

who has proven to be an irresponsible spender to use your card?

3. YOU'LL ENABLE BAD HABITS.

The borrower is likely in the position of needing to borrow a card because of a reckless lifestyle and a buildup of irresponsible habits. You might think you're being a good friend by helping them out in their time of need when, in reality, you're only enabling them to continue along their path of self-destruction. You'll be a truly good friend by showing some tough love and saying no.

4. PAYBACK TIME TROUBLE.

What happens when it's time to pay that credit card bill and it's a lot bigger than usual thanks to your friend's spending spree? You might chase after your friend, asking for payment, only to have them respond by claiming you only need to pay the minimum payment right now, so they don't need to pay it all back now. They may argue that you need to make that payment each month regardless of their spending, conveniently forgetting or playing dumb to the fact that interest is accruing on their purchase until it's paid off.

This can go on for months as they continue procrastinating. They'll reassure you that they haven't forgotten the loan — they're only waiting to land that dream job, get that raise they've been chasing or win the lottery. But until that happens, you're left holding the bag.

It gets even stickier. Your friend may not understand that spending money on a credit card can mean paying back a lot more than the actual cost of the purchase. A prolonged balance on a credit card collects cumulative interest. Who's responsible for paying that interest, you or your friend?

While it's your card, your interest expenses can increase a lot due to the large outstanding balance created by your friend. If your friend believes they've only borrowed the amount they used to make their purchases, you'll essentially be paying for the privilege of lending money.

5. YOU'RE PUTTING YOUR RELATIONSHIP IN JEOPARDY.

If you value your relationship with the person asking to use your credit card, you'll turn down their request. By agreeing to let them use your card, you're taking the risk of putting an unpaid loan between you and this person in position to ruin the relationship you share. You'll feel awkward asking your friend to repay the loan yet again, and your friend may avoid your company when you've asked to be repaid one time too many. Why ruin a valuable relationship over a request you should have refused?

6. YOU'RE OPENING YOURSELF UP TO REPEAT REQUESTS.

Once you've gone down the road of lending out your credit card, it'll be difficult to retrace your steps and learn how to say no. The original borrower may make a habit out of asking you to lend out your card, and other friends or family members who've heard about the arrangement may ask you to grant them the same privilege. Be strong and firm the first time you're asked to lend out your credit card and you'll better avoid facing the uncomfortable predicament of needing to turn down family and friends.

Your credit cards are personal objects marked with your own name. When friends, partners or family members ask to borrow your cards, just say no!

HOW TO GET BY IN AN EMERGENCY: PERSONAL LOAN OR CREDIT CARD?

Unexpected expenses, by nature, can come out of nowhere. Your check engine light comes on, and your car demands you put another thousand dollars into keeping it on the road. That cough that just won't go away turns out to be more serious than you thought. Your air conditioner gives up during the longest heatwave you can remember. No matter what causes these personal catastrophes, they all have one thing in common: They're expensive.

The best financial advice suggests a rainy day fund for situations like these; however, for many people, that's just not practical. Just getting to the end of the month can sometimes feel like an emergency. An emergency fund is one of those things it'd be nice to have, but there's just no room for it after the bills have been paid.

If you feel the pressure of not knowing where your emergency spending could come from, you're not alone. A Federal Reserve survey found that 47% of Americans would not be able to come up with $400 in an emergency. The way they'd cope with that emergency? They'd borrow.

As a credit union member, you have options when it comes to borrowing. Two of the most popular choices for emergency funding are a personal loan and a credit card.

There are pros and cons to both, so let's take a look at a few.

1. LIMITS

Credit cards are generally designed to cover day-to-day purchases. They have credit limits in the thousands, which is enough to handle most small appliance purchases and some car troubles. Most of the value of credit cards is in the convenience, though. Because it's a credit line you have to use as needed, there's no need to apply for a new loan each time you incur an expense.

However, many people may not have a high enough credit limit to cover a major medical expense, a significant home repair or a big appliance. This is where many choose to utilize a personal loan.

Your personal loan approval amount depends on several factors, such as your income, credit score and other assets. For borrowers who have a good credit history and a strong ability to repay, these loans could be $50,000 or more. That's enough to cover most serious expenses that come up out of nowhere.

2. REPAYMENT OPTIONS

Credit card repayment is typically handled on a monthly basis. You'll have a minimum payment, which, if you've got a high balance, might take a long while to pay off. There's no fixed term to repayment; so, if you continue to charge while making only minimum payments due, paying off your loan can take forever.

A personal loan, on the other hand, will include a fixed monthly fee that will let you repay the loan in a set amount of time. You'll sign paperwork at the beginning of the term, which spells out exactly when you'll be done repaying the loan. The loan is amortized, or set up so

you're making equal payments to cover both interest and principal over the life of the loan. There's no penalty for early repayment, either. So, if you find yourself ahead of schedule, you can pay off the balance and save some money!

3. USABILITY

Credit cards only work at a merchant terminal. While they're accepted in many places, they are not universal. If you're trying to pay family or friends, a credit card may not be the easiest way to get it done.

A personal loan is deposited directly to your draft account. Although you'll usually be sending it directly to the entity where the money is owed, the money is yours. You can withdraw it as cash, write checks or use auto draft features.

If you're trying to work out a reduced price for a major expense, many businesses are willing to offer a cash discount. Businesses pay for processing credit card fees, which can be quite a bit of money, so a cash payment can work to the advantage of everyone. If you're working with a hospital on a medical expense or a dental office, they may be willing to negotiate a lower fee in return for cash payment as well.

4. INTEREST RATES

Credit card interest rates can be high. Exactly how high depends upon your credit score and the kind of card you have, but 15% is the global average. Some credit cards may offer introductory rates that are considerably lower, but at the end of that introductory period the whole balance is converted to the higher interest rate — meaning you'll also be charged more interest on what has not been paid off.

Some credit cards also have fluctuating interest rates that can go up or down based on the prime interest rate. Credit card companies are allowed to change your interest rate if your credit score changes dramatically. Fluctuations in your interest rate can make it difficult to plan for your financial future.

A personal loan has a fixed interest rate at the time you get the loan. Provided you don't miss a payment, your interest rate will never increase. You can make a budget for the future that involves paying a fixed amount over approximately a 5-year period.

Interest rates on personal loans also tend to be much lower than on credit cards. For people with average credit, interest rates can be as much as 5% lower than those on credit cards. For people with better credit and higher incomes, that interest rate is even lower.



KEEPING IT SAFE

Credit cards are the kings of convenience — and that makes them perfect targets for scams. From all-out identity theft to fraudulent purchases made using credit card information scraped off the internet, there are all kinds of scams that can be pulled off through credit cards. Brush up on the credit card safety rules in the section below and keep your cards safe!

CREDIT CARD FRAUD IN FIVES

No one wants to be the victim of credit fraud. Aside from the stolen money you may never recover, victims of fraud can be faced with an enormous hassle. That hassle involves the closing of accounts, putting a fraud alert on your credit and a huge ding on your credit history, which can be difficult to fix.

Whodunnit? When we're talking about credit card fraud, everyone's pointing fingers at everyone else.

Consumers tend to blame the credit card issuer, but the vulnerability usually lies with the point-of-sale terminal. Tampering with a credit card reader takes just a few minutes and can be done using an inexpensive device that's available on Amazon. In addition, there are lots of other ways your information can be skimmed, none of which point to a security deficiency with your credit union or credit card company.

Thankfully, there are steps you can take to prevent and recognize credit card fraud before it happens. Here's all you need to know about credit card fraud in 5 lists of fives.

5 ways your card can be frauded

1. IT'S PHYSICALLY LIFTED FROM YOUR WALLET.

The old-fashioned pickpocket is still a very real threat. Invest in a secure wallet and/or purse and always keep your card inside.

2. A RESTAURANT OR BAR SERVER SKIMS IT.

When you hand over your card to a dishonest server at the end of a meal, you give them a few minutes to skim your card while it's in their possession.

3. A TERMINAL YOU USE IS COMPROMISED.

Payment terminals can be tampered with and rewired to transmit your information to scammers. This is especially common at pay-at-the-pump gas stations.

4. AN ONLINE BREACH PUTS YOUR INFORMATION ON THE BLACK MARKET.

After a company you use suffers a breach, your personal information may be up for sale on the dark web.

5. YOUR COMPUTER'S BEEN HACKED.

Once a scammer gets inside your computer, they have full access to all of your sensitive data.

5 signs a terminal's been compromised

1. THE SECURITY SEAL HAS BEEN VOIDED.

Many gas stations have joined the war against credit card crimes by placing a security label across the pump. When the pump is safe to use, the label has a red, blue or black background. When it's been breached, the words

"Void Open" will appear in white.

2. THE CARD READER IS TOO BIG FOR THE MACHINE.

The card reader is created to fit perfectly on top of the machine. If it protrudes past it, it's likely to have had tampering.

3. THE PIN PAD LOOKS NEWER THAN THE REST OF THE MACHINE.

The entire machine should present in similar condition.

4. THE PIN PAD LOOKS RAISED.

If the PIN pad looks abnormally high compared to the rest of the machine, the card reader may have been fitted with a new PIN pad that will record your keystrokes.

5. THE CREDIT CARD READER IS NOT SECURED IN PLACE.

If parts of the payment terminal are loose, it's likely been compromised.

5 times you're at high risk for credit card fraud

1. YOU LOST YOUR CARD.

If you misplaced your card — even if it was eventually returned to you — there's a chance your information has been skimmed.

2. YOU'RE VISITING AN UNFAMILIAR AREA.

When patronizing a business in an unfamiliar neighborhood, you don't know who is and isn't trustworthy.

3. A COMPANY YOU USE HAS BEEN BREACHED.

If a business you frequent has been compromised, carefully monitor your credit for suspicious activity.

4. YOU SHARED YOUR INFORMATION WITH AN UNVERIFIABLE ONLINE CONTACT.

If you've willingly or unwillingly shared sensitive information online and you're not certain of the contact's authenticity, you've likely been frauded.

5. YOU DOWNLOADED SOMETHING FROM AN UNRECOGNIZABLE SOURCE.

Have you accidentally downloaded an attachment from an unknown source? Then your computer has likely been compromised and you're at risk for credit card fraud.

5 ways to protect yourself against credit card fraud

1. Check all card readers for signs of tampering before paying.

2. Never share your credit card information online unless you're absolutely sure the website you're on is authentic and the company behind it is trustworthy.

3. Check your monthly credit card statements for suspicious activity and review your credit reports on a frequent basis.

4. Use cash when patronizing a business that's in an unfamiliar area.

5. Don't download any attachments from unknown sources.

5 steps to take if your credit card has been frauded

1. LOCK THE COMPROMISED ACCOUNT.

Dispute fraudulent charges on your compromised accounts and ask to have them locked or shut down.

2. PLACE A FRAUD ALERT ON YOUR CREDIT REPORTS.

This can be done at any of the three major credit reporting bureaus.

3. CONSIDER A CREDIT FREEZE.

This will make it impossible for the scammer to open a line of credit in your name.

4. ALERT THE FTC.

Visit identitytheft.gov to report the crime.

5. OPEN NEW ACCOUNTS.

Begin restoring your credit with new accounts and lines of credit.

PROTECTING YOUR CREDIT

You're always careful about keeping your credit score in good shape. That means you pay all your bills on time, keep your open credit card balances to a minimum and you try to pay your balance in full whenever possible. At the least, you make some headway on your debt.

There's another area of credit security that you may have not given much thought to: credit protection. This means ensuring your credit cards have not been frauded and that your data has not been stolen. Taking steps toward protecting your credit now is a lot easier than frantically trying to clean up the mess once you've discovered a problem.

1. PROTECT YOUR INFORMATION.

If someone is able to access your personal information, it gives them an in toward your credit, your identity, your loan prospects — practically your entire life! Make sure you are taking the most basic steps for protecting yourself by keeping all personal information personal. Keep your credit cards in a secure location. Never sign up to have your card "remembered" at sites you frequent. Only share sensitive information with sites you trust to safeguard your data and one that encrypts all incoming information. Never agree to give your credit card number over the phone or internet to someone you don't know and trust.

Common sense can go a long way toward protecting you here.

2. CHECK YOUR CREDIT REPORT.

The three major credit reporting agencies — Equifax, Experian, and TransUnion — are each required to provide you with a complimentary copy of your credit report once a year, upon request. To order yours, visit annualcreditreport.com, or call 1-877-322-8228. It's best to check your credit every few months, and with three providers offering you a free copy that's never been easier.

When you receive your report, review it carefully for

any suspicious activity. If you find a transaction that doesn't belong, dispute it in writing. Clearly identify the transactions you are disputing, explain the reasoning behind your claim and provide documentation to support it.

If you've already requested a report from each of the agencies in the last 12 months, but you suspect fraudulent activity on your card or have had a recent credit application denied, you can still order a credit report. You are entitled to a free report whenever a company takes adverse action against you, such as denying your application for credit, insurance or employment. Simply request a report within 60 days of receiving notice of the action.

3. SIGN UP FOR PROTECTIVE SERVICES.

If you are especially fearful of your information being exposed, you might want to take stronger steps toward protecting your credit. You can sign up for a protective service that will safeguard your credit from scammers and ID thieves. Of course, there will be a price attached, but it may be worth your peace of mind.

There are dozens of such services available to consumers in various forms. Each of the credit reporting bureaus offer programs, as do major sites like Credit Karma. An online search will yield results from several reputable sites that review available services on an annual basis and make recommendations to consumers to help them make the best decision for their needs.

If your information is exposed

If suspicious activity on your credit report or another red flag tells you your information was likely exposed, take

immediate action. Here's what to do in the event of a data breach:

PLACE A CREDIT FREEZE OR A FRAUD ALERT ON YOUR FILES.

This will alert your credit card company that you've been frauded while making it harder for someone to open a new account in your name. It won't stop a thief from making charges to your existing accounts, though.

Alternatively, you can choose to place a fraud alert on your files. This will warn creditors that you may have been victimized by identity theft, alerting them to verify that anyone seeking credit in your name is really you.

FILE YOUR TAXES EARLY.

Tax identity theft is more common than you think. If your SSN was accessed through a data breach, it's best to file your taxes as soon as you have all the necessary tax information. Don't let a scammer use your SSN to get their hands on your tax refund. Also, be sure to respond immediately to any letters you receive from the IRS.

HOW TO DISPUTE AN ERROR ON YOUR CREDIT REPORT

Keep yourself and your data safe by taking the proper steps toward protecting your credit and responding in a timely manner if you've been frauded.

Quick — what's your credit score?

As a financially responsible individual, you should be checking your credit on a regular basis. You can do this by signing up for free credit monitoring on a reputable website like CreditKarma.com, requesting your annual complimentary credit report from AnnualCreditReport.com and reviewing your monthly credit card statements.

If all goes well, your report will hold no surprises and your score will be in excellent shape, or steadily increasing. Sometimes, though, you may find an error in your report. It might be a sharp decline in your score when you know you haven't changed your spending or bill-paying habits, a large transaction you're sure you've never made or an unfamiliar line of credit. While it can be disconcerting to find a mistake in your credit report, the good news is you can contest errors like these and fix your score.

Mistakes you may find on your credit report

Credit report errors are quite common. In fact, 26% of participants in a study by the Federal Trade Commission (FTC) found at least one error on their credit reports that brought down their score. A lower score can mean getting hit with higher interest rates on loans and can prove to be an obstacle when applying for a new line of credit or large loan.

Most of these errors can be traced back to clerical mistakes, though some are caused by a lack of action on your part or by criminal activity.

Credit report errors include the following:

- You're mistakenly identified as someone with a name that's similar to yours.
- A credit account was never included in your report,

weakening your perceived credit worthiness.

- Your loan or credit card payments were applied to the wrong account.

- A legitimate credit account or debt has been reported and recorded multiple times.

- Your name is still linked to your ex-partner's accounts and debts.

- Identity thieves have used your name and credit file to open accounts and take out loans you knew nothing about — and it's unlikely they have been making payments on those loans.

To avoid credit report errors, make sure to use your legal name on every line of credit you open, to remove your name from any accounts you are no longer associated with and to have all of your creditors report your open accounts to the major credit bureaus. It is also crucial that you monitor your score to find mistakes as quickly as possible.

3 steps to disputing an error

If you've spotted an error on your credit report, don't panic. Follow these three steps to dispute the error and fix your credit:

STEP 1: FILE A DISPUTE WITH EACH OF THE MAJOR CREDIT BUREAUS.

You'll need to inform all three major credit bureaus, Equifax, TransUnion and Experian, about the error. All three bureaus allow you to file disputes online.

In your written dispute, clearly identify each disputed item in your report, explain why you are disputing these

items and ask that the errors be deleted or corrected. Include your full contact information, as well as copies of any documents supporting your claim. You can also include a copy of your credit report, highlighting the items you are disputing.

To file your dispute online, follow these links for each of the three major credit bureaus: Equifax, TransUnion, Experian.

You can also file your disputes by mail to Equifax and TransUnion; Experian currently accepts online disputes only. If filing by mail, it's best to send your letter via certified mail with a requested return receipt. It's also a good idea to keep a copy of your correspondence for your own records.

Mail your Equifax dispute to the following address:

Equifax Information Services, LLC
P.O. Box 740256
Atlanta, GA 30348

Mail your TransUnion dispute to the following address:

TransUnion, LLC
Consumer Dispute Center
P.O. Box 2000
Chester, PA 19016

STEP 2: CONTACT THE CREDITOR.

After you've contacted each bureau, you can also reach out to the creditor that's linked to the error in your report. This step isn't necessary, but it may speed up the correction process.

Most creditors will provide a link or an address for disputes. When filing your dispute, follow the guidelines above and include all relevant information and/or

documentation. Be sure to let the creditor know you've also contacted the credit bureaus, as they'll want to include this information and a copy of your dispute if they report their findings to the bureaus. You can also ask to be copied on all correspondences between the creditor and the bureaus.

STEP 3: FOLLOW UP IN 30 DAYS.

Expect to be contacted by the bureaus and the creditor within 30 days after filing your disputes. If all goes well, your dispute will be accepted and your credit will be restored. In many states, you are eligible to receive a complimentary credit report following a registered dispute.

If one of the credit bureaus or a creditor refuses to accept your dispute or does not resolve the error in your favor, you can ask the bureau or creditor to include a copy of your dispute in your file, as well as in all future credit reports. This way, a lender or creditor will be made aware of the alleged error when reviewing your credit. You may be charged a small fee for this service, but it is generally worth the price. If you feel the error is too significant to ignore, consider hiring a lawyer to help you contest the report and fix your credit.

Disputing an error on your credit report is fairly simple. Always monitor your score and be vigilant about correcting errors. The payoff can affect your financial wellness for years to come.

HOW TO SPOT A CREDIT REPAIR SCAM

Repairing your credit can be an uphill battle. You're looking at months of hard work, negotiating with creditors, reworking your budget and identifying the factors that are making your credit score lag. In short, it's a hassle and it takes lots of time.

Those two aspects are what make credit repair scams so successful. They know you're looking for a quick way out, and they're offering it to you on a silver platter. Unfortunately, when they're done with you, not only will your credit score be just as low as when you started, but you'll also be out hundreds or thousands of dollars, and may even be facing criminal charges.

There are legitimate credit repair companies, but without educating yourself, finding them instead of the scammers, who only want your money, can be tricky.

Here are the most common warning signs of a credit repair scam:

1. DEMANDS UPFRONT PAYMENT

Know your rights. Under the federal Credit Repair Organizations Act, credit repair companies are forbidden to request or receive payment until they've completed the services they've promised. If a company is demanding upfront payment, it's surely a scam.

2. MAKES BIG PROMISES

To lure you into their trap, many scammers make wild promises about your credit score. They may assure you

that they can remove negative information from your credit report, even if that information is accurate and current. Don't believe them; no one can do this.

They might also promise to boost your score by a huge amount in just a few weeks or less. This, too, is absolute hogwash. You will never see an improvement on your score until at least 30 days has passed since you've taken action.

3. PROMISES TO HELP YOU CREATE A "NEW CREDIT IDENTITY"

This red flag should alert you to one of the most devastating credit repair scams possible. In these scams, companies promise to create a new credit identity for you in exchange for a fee. After you cough up the money, the company will provide you with a nine-digit number that's similar to a Social Security number. They may refer to this number as a CPN — a credit profile number or a credit privacy number. Alternatively, they may direct you to apply for an EIN — an Employer Identification Number — from the IRS.

Once you have your new number, the company will instruct you to use this form of ID to apply for credit. They assure you that the process is legal. In reality, though, it's not — and you've just been scammed.

These companies are actually selling you a stolen SSN, often one belonging to a child. They walk away with the money you paid them, while you are stuck in a far deeper hole than when you first contacted them. It is a federal crime to misrepresent your Social Security number, to obtain an EIN from the IRS under false pretenses and to lie on a credit application.

Falling for a credit identity scam could mean facing

fines or prison time. If you come across a credit repair company offering you a new identity, run the other way and don't look back (and report them to the authorities)!

4. TELLS YOU NOT TO CONTACT THE CREDIT REPORTING AGENCIES

Every U.S. citizen has the right to a complimentary report from the three major credit reporting agencies every year. If a company advises you not to contact these agencies directly, they will probably charge you for obtaining the report on their own. In other words, you will be paying for a free service.

5. TELLS YOU TO DISPUTE ACCURATE INFORMATION ON YOUR CREDIT REPORT

Disputing accurate information on your credit report is dishonest and illegal.

6. IS EVASIVE ABOUT YOUR LEGAL RIGHTS AND THEIR SERVICES

The Credit Repair Organization Act made it illegal for credit repair companies to lie about your legal rights and about their services. This law is enforced by the Federal Trade Commission (FTC). To comply with this law, credit repair companies are required to explain:

- Your legal rights and clear details in a written contract of the services they'll perform
- Your three-day right to cancel the contract without charge
- The anticipated amount of time it will take until results are evident
- The total cost you will need to pay for their services
- Their guarantee

If you've already hired a credit repair company and they haven't lived up to their promise, you still have options.

You can choose to sue the company for your losses in federal court or seek punitive damages — money to punish the company for violating the law. You can also find other victims so you can band together and file a class-action lawsuit against the company.

To protect others from falling prey to the same scam, report it to your local consumer affairs office or to your state Attorney General.

It's also advisable to file a complaint with the Federal Trade Commission. The FTC cannot resolve individual credit disputes, but it can take action against a company for multiple law violations. You can file your complaint online at ftc.gov/complaint or call 1-877-FTC-HELP.

Finally, if you're in financial trouble of any kind, we can help! Stop by today to ask about our credit counseling services and assistance with creating and sticking to a budget.

Congratulations! You are now a credit card master.

