

## ***FISC NEWS RELEASE***

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For Immediate Release

### ***FISC Offers Tips on Establishing or Rebuilding Credit*** *There's a Right Way and a Wrong Way to Build a Positive Credit Record*

**Menasha, September 24, 2009** – There are multiple reasons why people may want to establish new credit. They may be new entrants into the world of credit, or are perhaps trying to reestablish credit after a financial hiccup. Either way, there are some do's and don'ts that consumers should follow that will make the road to credit much smoother.

“Even though it is possible to live on a cash basis, most will need a positive credit file to purchase big-ticket items such as a house or a vehicle,” said Mary Novak, Counseling Services Coordinator for the Financial Information and Service Center (FISC). “Whether building a credit history from scratch, or trying to improve a tarnished one, it's important that consumers recognize the impact that a positive credit file can have on their financial well-being.”

FISC suggests consumers consider the following tips when applying for credit:

- **Do obtain a copy of your credit report** from [www.annualcreditreport.com](http://www.annualcreditreport.com). This is particularly useful if you are trying to rebuild your credit, as you'll want to review what existing debts you need to satisfy before moving forward.
- **Do open checking and savings accounts.** Even though this activity is usually not reported to the credit bureaus, lenders may inquire about the presence of such accounts on credit applications, and it can count in your favor.
- **Don't apply for too much credit at once.** This can appear as though you're desperate for credit and perhaps make lenders less inclined to extend credit to you. Too many credit inquiries can have a negative impact on your credit score.
- **Do apply for a variety of credit types.** Credit scoring models value having different types of credit. Therefore, having one or two revolving accounts (typically credit cards) and some installment fixed payment loans (such as a car payment) can improve your score. FISC recommends paying credit card balances in full and using credit responsibly.
- **Do research the type of card that is right for you.** Each issuer has different lending standards (yes, a credit card is a loan), so you'll only want to apply for cards from those whose lending profile you fit. Familiarize yourself with the various standards by going to [www.CreditCards.com](http://www.CreditCards.com) or [www.Bankrate.com](http://www.Bankrate.com).

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- **Don't fall for a credit repair scheme.** Why pay for something that you can do for yourself for free? If rebuilding credit, know that time is your friend, as the farther you move away from the financial distress, the less negative impact it has. Follow with responsible behavior with your new credit, pay your bills on time and you'll soon have a solid credit file.
- **Don't pay to piggyback.** Piggybacking is a legitimate way to build a credit history, but only if you use it as it was intended. This tool allows someone with existing credit to add an authorized user to their account. The credit activity is then reported in the primary cardholder's name as well as the authorized user's name. Examples are adding a young adult on the parent's card, or a spouse on the other spouse's card. The wrongful use of piggybacking would be when strangers utilize this method, typically for money.
- **Do consider a co-signer in limited circumstances.** Obtaining a loan in the absence of any credit history can be difficult, sometimes requiring a co-signer to guarantee payment. The loan is usually structured where the primary borrower is expected to make the payment, with the pay history reported in both names. If the borrower defaults, the lender will approach the co-signer, and missed payments will be reflected on both credit files. There is some risk to the co-signer. FISC generally does not recommend co-signing; but in limited circumstances, like helping a young adult, co-signing can be an effective way to help another person obtain and build credit.
- **Do consider a secured credit card.** This type of account is secured by a deposit made to the financial institution issuing the card. For example, if you wanted a card with a \$500 limit, you would deposit that amount with the bank offering you the card. Know, however, that secured cards can have fees attached to them, and typically have a higher interest rate. Make sure that your account activity is reported to the credit bureaus each month. After responsibly making payments on a secured card, the issuer often offers the borrower an unsecured card.
- **Do take out a small loan.** A personal loan from a bank or credit union can serve to establish credit. You may be asked to put up collateral, but it will be worth it in order to build your credit.

“Equally as important as establishing credit is treating it responsibly,” Novak said. “Pay your bills on time, all the time, and you'll enjoy all the benefits of credit.”

Whether just starting out or rebuilding credit, if you need financial advice, consider reaching out to FISC, a nonprofit Consumer Credit Counseling Agency and a program of Goodwill Industries of North Central Wisconsin, Inc. FISC can be reached at (920) 886-1000 or go online to [www.fisc-cccs.org](http://www.fisc-cccs.org).

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