Stacey Braun
ASSOCIATES, INC.

DEBT MANAGEMENT Q&A

1. **How many credit cards should I have?**
   It's not the number of credit cards you have, it's when you got them and how you use them. If you apply for a few different cards within a few months, this tells creditors that you may be a risky borrower because you are going to make lots of large charges. If you apply for a few credit cards over the course of 10 years, this won't be the case. In general, it's best to stick with fewer than seven and owe on fewer than four.

2. **Which credit card should I pay off first?**
   If you're carrying several credit card balances each month, you must plan efficiently to pay them off. You can use extra cash to make bigger monthly payments, but you may not know the most cost-effective way to use that extra cash. Instead of putting more money toward each of the payments, focus on paying off one debt at a time. If you want to save money, then start with the balance that has the highest APR. If you don't have a lot of extra cash flow, then you may be better off starting with the lowest balance first.

3. **How can I get a credit card with bad credit?**
   If you've tried to get a credit card when you're stuck with a low credit score, you know how difficult it can be. The best thing you can do in this situation is simply to build your credit score, so you can qualify for the credit card you want. However, if you can't wait to use credit, try a secured credit card. You put down a small cash deposit to open a credit card with a limit of equal value to your deposit. If you fail to pay your balance, you lose the deposit. Secured credit cards allow you to build credit just like unsecured cards.

4. **How can I get my free credit report?**
   The FACT Act makes every consumer eligible for one free copy of your credit report from each of the three national credit reporting agencies every 12 months. Currently, TransUnion offers free weekly credit reports online through April 2021 as part of their commitment to supporting all Americans during and after the COVID-19 health crisis. If you are interested in this service, visit annualcreditreport.com. Reviewing your credit reports regularly, helps you ensure the information reported is accurately and gives you an opportunity to monitor your account history to combat potential identity theft.

5. **How is my credit score calculated?**
   Generally, scoring models use credit report information that falls under six main categories to calculate a credit score:
   1. Payment history. This shows your level of responsibility as a borrower—have you been making payments on time?
   2. Amount of credit owed. Add up all your credit balances and you get a number, which gives an indication of how much you're borrowing.
   3. Credit utilization. How much of your available credit are you using? Are you close to maxing it out?
   4. Length of time you've been using credit. How established is your credit? Do you have a lot of experience using credit?
   5. New credit. It factors in new accounts and credit inquiries (authorized requests for your report from lenders).
   6. Credit mix. Do you have experience managing different types of credit?

6. **How long does negative information stay on my credit report?**
   Typically, the negative information on your credit report falls off seven (7) years after the date of first account delinquency. Bankruptcy information remains on your report for up to ten (10) years from the date filed, but it can be less depending on the type of bankruptcy. Positive information remains on your report for up to ten (10) years from the date of last activity on the account. This information applies to installment accounts like mortgages and car loans, which are the types of agreements that have fixed terms on the number of years for repayment. For revolving accounts, such as credit cards, your positive history will stay on your report for as long as the account is active.

7. **What impacts my credit score the most?**
   Payment history is the most important factor in calculating your credit scores because it shows how you've managed your finances, including whether you've made any late payments. Your credit history is also very important as it demonstrates how long you've been managing your accounts, when your last payments were made, and any recent charges.

8. **Will checking my credit report lower my credit score?**
   No. Credit reporting agencies understand the importance of you reviewing your credit history and other credit data. However, there is a way your score can be damaged when someone else requests your credit report. If you apply for several new lines of credit in a short period of time, this can indicate that you may be a greater risk for potential lenders. Although your score may drop, the change is typically less than five points.

9. **How do I get out of debt?**
   1. Accurately assess the status of your debts from amount owed, to interest charges to expected pay off dates.
   2. Make a budget. Use it to guide and track spending.
   3. Create more income. Get a second job.
   4. Stop borrowing and using credit cards. Cash only.
   5. Change debt-enabling habits. Drastically reduce dining out, entertainment expenses.

10. **How do I increase my credit limit?**
    Your credit card limit can be raised in two ways. First, if you make on time, steady payments and have excellent credit, the issuing bank may raise your credit limit without you even asking. The other option is for you to ask for a credit limit increase. The bank will look at your payment history, how much you owe, how long you have had the card, and your overall credit situation. A maxed out credit card is usually an indicator of credit problems and the bank may turn you down.

11. **What's the difference between federal and private student loans?**
    Federal loans are funded and tightly regulated by the federal government. Private loans are not subsidized by the government, and therefore are not regulated as closely. Borrowers should, generally, maximize their federal loan options before resorting to private loans.

12. **Is it a good idea to consolidate to a private student loan?**
    Consolidating private loans into a private consolidation loan may be a good idea if you think you can get a better deal. However, it is very dangerous to consolidate federal loans into a private consolidation loan. You will lose your rights under the federal loan programs once you choose to consolidate with a private lender.