

## OPPORTUNITY. . . .

*The Equal Credit Opportunity Act* requires that all credit applicants be considered on the basis of their actual qualifications for credit and not be turned away because of age, gender, marital status, race, color, religion, national origin, because they receive public income such as welfare or Social Security, or because they exercise their rights under Federal credit laws such as filing a billing error notice with a creditor. A creditor may not use any of those grounds to discourage you from applying for credit; refuse you credit if you qualify; or lend you money on terms different from those granted another person with similar income, expenses, credit history, and collateral. The Act also provides that an individual may choose to rely on the credit history of a spouse or former spouse if it can be shown that the individual helped to build up that history.

## QUALIFYING. . . .

Creditors determine whether or not you're a good credit risk by evaluating:

*Your ability to repay*, as indicated by how much of your income is left over after you pay your basic expenses every month. Creditors ask for employment information: your occupation, how long you've worked, and how much you earn. They want to know your expenses, how many dependents you have, whether you pay alimony or child support, and the amount of your other obligations.

*Your assets*, such as a house, bank account, or insurance policy; anything that would serve as security for the creditor if you couldn't meet your payment. Creditors want to know what you may have that could be used to back up or secure your loan and what sources you have for repaying debts other than income.

*Your credit history*, showing what debts you've had before and how you've managed them. They look at how much you owe, how often you borrow, whether you pay bills on time, and whether you live within your means. They also look for signs of stability: how long you've lived at your present address, whether you own or rent, and length of your present employment.

*Your attitude* is important, too, because the creditor has to decide whether you're the kind of individual who will act responsibly in using credit. Appearance and behavior have been known to influence a creditor's decision.

## BEGINNING. . . .

You may qualify in all respects except for a credit history. Building a credit history takes time and patience. This problem affects young people just beginning careers as well as older people who have never used credit. You may have to start in a small way and build up slowly. Here are some suggestions:

- ◆ Establish a savings and/or checking account. Creditors look on them as evidence that you're able to handle money.
- ◆ Borrow against the security of your savings account at the bank. The interest you pay on the "passbook" loan will be partly offset by the interest your account keeps on earning, so the loan will cost you less than a regular small loan would.
- ◆ Buy something on time at a major store or open a local department store charge account and pay your bills promptly. This is a stepping stone to other kinds of credit.
- ◆ Apply for a gasoline credit card.
- ◆ If you can't get credit on your own, you might ask a relative or a friend who already has a good credit standing to cosign your loan application and share your liability. Once you have repaid the debt, try again to get credit on your own.
- ◆ If you're new in town, write for a summary of any credit record kept by a credit bureau in your former town. (Ask the bank or department store in your old hometown for the name of the agency it reports to.)
- ◆ Before applying for credit, ask whether the creditor reports credit history information to credit bureaus serving your area. Most creditors do, but some do not. If possible, you should try to get credit that will be reported. This builds your credit history.
- ◆ If you believe you're creditworthy, keep trying to establish your credit. Don't be discouraged. Shop around. Persistence has a way of paying off.

## BENEFITS. . . WARNING. . . .

Credit is a good thing when used wisely. It lets you buy necessities when you're short of cash and luxuries when you want them. Without credit you might have to put off buying what would be useful or desirable.

But, like other good things, credit can be misused. Borrowing can be addictive and may be dangerous to your financial health.

## REMEMBER. . . .

- ◆ Credit isn't usually free. It's paid for by interest charges that vary with the type of creditor, kind of credit, and the time period involved.
- ◆ Credit isn't more money. It's a convenience that lets you enjoy certain benefits now that you'll have to pay for later on.
- ◆ It's important to keep your payments up to date. If you run into a problem because of unforeseen difficulties, discuss it with your creditors.
- ◆ It's important to keep track of how much you owe overall, so that when you do get your credit established, you won't take on more debt than you can handle.
- ◆ Be wary of ads that promise you "instant credit" or "a major credit card regardless of your lack of credit history or past credit record." If asked for money up-front to get you a loan, be aware, it may be a scam and you'll never see your money again and still won't have a loan.

The people who get the most out of credit understand that:

**Credit isn't a right to be expected. It's a privilege to be protected.**

## BORROWING BAROMETERS. . . .

How much debt you can handle depends on your family situation, assets, income, expenses, employment status, age, health, and a lot more. If your monthly payments are more than what's left over from your weekly paycheck after basic expenses, you may be headed for trouble.

## IF YOU'RE TURNED DOWN. . . .

If you are rejected for credit, find out why. There may be reasons other than lack of credit history. Your income may not meet the creditor's minimum requirement or you may not have worked at your current job long enough. Time may resolve such problems. You could wait for a salary increase and then reapply, or simply apply to a different creditor. However, it is best to wait at least 6 months before making each new application. Credit bureaus record each inquiry about you. Some creditors may deny your application if they think you're trying to open too many new accounts too quickly.



The Indiana Department of Financial Institutions,  
Division of Consumer Credit has many other credit  
related brochures available, such as:

Answers to Credit Problems  
Applying for Credit  
At Home Shopping Rights  
Bankruptcy Facts  
Buried in Debt  
Charge Card Fraud  
Choosing A Credit Card  
Co-Signing  
Credit and Divorce  
Credit Reporting and Scams  
Debt Collection Problems?  
Deep in Debt?  
Equal Credit Opportunity  
Fair Credit Reporting  
Fair Debt Collection  
Gold Cards  
Hang up on Fraud  
High Rate Mortgages  
Home Equity Credit Lines  
How to Avoid Bankruptcy  
How to Cut the Costs of Credit  
Identity Theft  
Look Before you Lease  
Mortgage Loans  
Older Consumers  
Repossession  
Reverse Mortgage Loans  
Rule of 78s – What is it?  
Secured Credit Card Scams  
Shopping for Credit  
Using Credit Cards  
Variable Rate Credit  
What is a Budget?  
What is the DFI?

Call our toll-free number or write to the address on  
the cover for a copy of any of the brochures listed  
or for further consumer credit information.



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Consumer Credit Division  
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# Applying for Credit



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