



Managing Your Credit

Tips for using credit wisely

- Avoid loans and credit cards with high interest rates.
- Don't take on monthly loan payments you can't afford.
- Stay within your credit limit. Track your credit card charges throughout the month.
- If you have Internet access to your credit card account, track your account activity online, even before you receive the bill in the mail.
- Don't use your credit card to buy things you really can't afford. Let your budget be your guide.
- If you're getting in trouble with debt, get help early. Consider talking with a credit counselor—an experienced professional who can help you get out of debt.
- Shop around for credit cards with low interest rates and low or no annual fee.
- Look closely at credit card offers that use the word "free." Usually, everything has a price.
- Resist impulse buying!
- Pay on time and pay off credit card balances monthly if you can. If you can't pay off your credit card balance in full, try to pay more than the minimum payment. At the very least, pay the minimum payment every month, on time.
- Avoid having monthly credit card payments that exceed 10% of your monthly net income.
- Do not let the total amount you charge to your credit cards exceed 20% of your yearly net income.
- Keep track of what you buy with your credit card. Save your receipts and check them against your statement.
- Don't go wild! Limit your credit card use and don't have too many credit cards.

Managing your credit (continued)

Be careful when selecting a lender

Predatory lenders try to cheat borrowers through fraud or deception. Watch out for these nine predatory lending practices:

1. **Encouragement to include false information.** If a lender has changed any of your income or expense information or leaves your income blank, do not sign the loan application.
2. **Blank loan documents.** Never sign a blank loan document or work with a lender who asks you to.
3. **“Bait and switch” sales tactics,** when a lender makes promises in order to make the sale, but then backs out on the promises after the sale. To avoid this, it’s critical to carefully read and understand the agreement before you sign. Question anything in the document that is not consistent with what you were told. Don’t sign the agreement if anything in it is unclear or not as promised.
4. **Equity stripping.** Let’s say you don’t have much monthly income but you have built up equity in your home. If a lender encourages you to inflate your income on your application form to help get the loan approved, watch out! A predatory lender doesn’t care if you can’t keep up with the monthly payments, because as soon as you can’t, the lender will foreclose—taking your home and stripping you of the equity you have spent years building.
5. **Loan flipping.** This is when a lender persuades a borrower to repeatedly refinance a loan, often within a short time frame, charging high points and fees each time. This is not in your best interest because it costs you money and postpones the loan principal from being reduced.
6. **A high fee for bi-weekly payments.** Some lenders will offer you the option to pay your loan bi-weekly. Although this type of payment plan can reduce the finance charge and length of a loan, predatory lenders may charge you \$1,000 for the “privilege” of paying biweekly. In reality, such accounts can often be set up for free or a few hundred dollars at most.
7. **Required deed signing.** If you are behind on your mortgage payments, a predatory lender may offer to help find new financing. But first you are asked to deed your property over to the lender as a temporary measure to prevent foreclosure. But then the promised loan never comes, and you no longer own your home.
8. **Advertisements promising “No Credit? No Problem!”** These are often warning signs of scams. Consumers responding to such ads are guided through a phony application process and may even receive fake loan approval documents. To receive the approved loan, they are told to pay money up-front for fees or services—and instead end up losing their money.
9. **Promises to refinance the loan to a better rate in the future.** No one can make you that promise. Instead, ask what you can do now to get a better rate. If you’re working with a local bank, for example, there may be a rate discount for making automatic monthly payments from your checking account.

Managing your credit (continued)

Be careful when selecting a lender (continued)

- Don't take the first loan you are offered; shop and compare.
- Don't give in to sales pressure. Don't be rushed. Remember, you can always say you have to check with someone else before you can make a decision.
- Don't sign a blank document or anything the lender promises to "fill in later."
- Don't sign anything you don't like or understand, even if they cancel the loan offer.
- Ask a lot of questions.
- Always check the numbers!
- Remember, a low monthly payment isn't always a good deal. Look at the total cost of the loan.

If the bank says no to your loan

It often takes a few days for a decision to be made about your loan application. However, a bank legally has up to 30 days to respond. If a lender turns you down, do not take it personally; lenders cannot grant or deny credit based on personality.

Here are few possible reasons a loan may not be granted:

- Irregular employment.
- Not enough income to repay the loan.
- Poor credit history (slow repayment of other loans).
- Lack of credit history.
- Too short a time at residence.
- Insufficient down payment.

Here are steps you can take to have the bank reconsider your loan request:

- Find out if all sources of income were considered in evaluating your application.
- Pay off some of your existing debt.
- Find a reliable co-signer who is acceptable to the bank.
- Offer to make a larger down payment if possible.
- Establish credit by applying for a credit card with a low credit limit.
- If you have no credit history, find out if alternative payment history could be considered, for example, rent, or utility bills.
- Contact the credit bureau used by the bank to find out if there are any errors in the information they provided the bank.

Managing your credit (continued)

How to repair your credit history

1. Order a copy of your credit report. To obtain a free credit report you can order online www.annual-creditreport.com. When you receive your report review it and make sure it is accurate.
2. Challenge incorrect or outdated information on your credit report. Ask the credit bureau (Equifax, Experian or TransUnion) in writing to remove the incorrect information. The bureau must then contact the creditor that reported the incorrect information. If the creditor does not verify the negative item within 30 days, the bureau must remove the item and send you a corrected report. If the creditor states that the information is correct, you have the legal right to insert a 100-word statement in your credit report explaining why you dispute this information.
3. Pay your current loans on time and as agreed.
4. Contact your creditors and ask if they're willing to arrange a new payment schedule. Stress your desire to make full payment over time.
5. If you have had past credit problems, share this information with the bank when you apply. Have a letter prepared that you can include with your application explaining any extraordinary circumstances or reasons for past credit problems.
6. Contact a credit counseling service in your area. (Check the White Pages in your phone book.) They can often help you work out a repayment plan with your creditors.

For more information on Credit Card Regulations, please visit www.federalreserve.gov/consumerinfo/consumercredit.htm

We invite you to contact Wells Fargo for further information and assistance. Visit our Web site at wellsfargo.com or any Wells Fargo store.