

# How can unemployment affect your credit score?

(Syndicated News)

Why being a goody-goody when it comes to your credit is always a good idea.

During a recession, just about anyone can lose their job at any time. Getting laid off not only substantially reduces your household income, but can also hurt your credit score and your financial profile in general. It's unfortunate, but true, so planning for the worst is always a good move.

Carrie Davis of SpendOnLife.com, a free online resource that helps users watch their credit and protect their identity, explains the facts. While losing your job does not directly impact your credit rating, she says, not being able to pay your bills on time does. When you can't make timely payments on your



mortgage, car loan, or credit cards, your credit score will inevitably drop.

Unemployment can also mean that you aren't able to qualify for a loan. No matter how high your credit score, few banks will lend you money at a favorable rate if you aren't earning a steady stream of income (note that unemployment checks don't count).

With this in mind, it's more

important than ever to build up an emergency savings fund. A good rule of thumb is to have between three and eight months of living expenses at hand in case of a layoff. If you continue to pay your monthly bills and credit card balances during unemployment, your credit score should stay level, or even go up. And being responsible with your credit could help you land a new job: some companies run a credit check when evaluating prospective employees. Once you find a new job and have worked there for a year or so, qualifying for a loan at a favorable interest rate will also be easier.

So, as the Boy Scouts say, be prepared. Take advantage of the income you are earning today by putting some of it aside for tough times tomorrow. **WI**

# Warning: You May Be Charged for Not Using Your Credit Card

By Harrine Freeman

Due to the bailout and current recession we have been experiencing for the past year or so, many banks and financial institutions are afraid of losing more money. As a result, they are changing the rules and implementing new guidelines for credit card holders. If you have not used a credit card in the past six to 12 months, you are at risk of having your account closed or your credit limit reduced. If your limit is reduced or the account is closed this will lower your credit score. It does not matter what your previous payment history was or what your credit score is.

Some credit card companies that are practicing this are: Citibank, HSBC, Chase, Capitol One and Washington Mutual. Many credit card companies are doing this without notifying customers. If you have been a victim of this, check your credit card disclosure agreement. If you do not have a copy, ask the credit card company to send you one. Read it carefully. If it is not mentioned in your credit card disclosure agreement then call the company and complain. Here are five ways to reduce your chances of having your limit reduced or your credit card account closed.

1. Order a copy of your credit report from [www.annualcreditreport.com](http://www.annualcreditreport.com). If you have already received a copy within the past 12 months you can still order a copy from the Web site but you will have to pay a small fee of six dollars per report from each credit bureau: Experian, Equifax and TransUnion.

2. Check your balances. Review your credit card accounts and pay down debt on the cards with the highest balances to prevent the accounts from being closed or the limits reduced. For accounts that have not been used in a while, and that have a larger limit, buy something cheap like milk and bread or a pair of socks and pay the bill off right away. Do this every three months to show activity on the accounts. Do not worry about credit cards with balances less than \$1,000 or new accounts opened within the past 24 months because they will not impact your credit score as much if they are closed.

3. Ditch the small potatoes. You may want to close any cred-



it card accounts that have not been used in one to two years that have a limit of \$500 or less and have a zero balance. If you have more than one credit card in this category only close one of these types of accounts every year. This will prevent your credit score from being impacted as much. This will prevent the credit card companies from closing your account and reporting this on your credit report. In some cases, credit card companies will report "closed by creditor," "account closed by credit grantor," "closed at creditor's request" or something similar. This greatly lowers your credit score.

4. Negotiate. If you have an account that has been closed and you use your credit card to make ends meet or pay for basic necessities, I would recommend calling the credit card company and letting them know that you need your credit card. They should be sympathetic and re-open your account if it was closed or increase your limit if it was reduced. If that does not work, call back and ask to speak to a supervisor. Follow-up all correspondence in writing. If that fails, file a complaint against the credit card company with the Better Business Bureau and Federal Trade Commission.

5. Find extra money. Sell new and unused items on eBay or Craigslist. Get a part-time job and find ways to reduce expenses to get extra money to pay for basic necessities to make up for the loss of using a credit card that was closed or the limit was reduced.

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