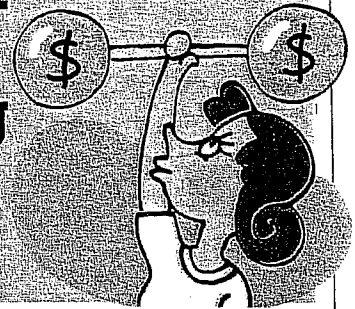


The Best Way To Boost Your Credit Rating

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Poor credit makes borrowing difficult—and bankruptcy taints your credit rating for 10 years—but you don't have to wait to get a new credit card, car loan or mortgage. There are attractive credit options available.

The sooner you are able to get new credit after a bankruptcy or other serious financial troubles, the sooner you can start rebuilding a damaged credit rating.

CREDIT CARDS

It's possible to get a "secured" credit card at a competitive interest rate. (If you're bankrupt, you must wait until your debts are discharged.) "Secured" means that you will have to deposit several hundred dollars with the bank that issues the card—and you can charge only up to that amount. If you pay all of your bills on time, you might be able to upgrade to an unsecured account in as little as 24 months.

Two attractive secured credit cards available now...

Amalgamated Bank of Chicago Secured Standard MasterCard. 800-723-0303. *Annual percentage rate (APR): 14.25% variable. Annual fee: \$50. Minimum deposit: \$500.*

Family Merchants Bank Secured Visa. 319-378-8100. *APR: 23.01% variable. Annual fee: \$20. Minimum deposit: \$500.*

Important: Don't respond to credit card offers in the mail if you just emerged from bankruptcy. You're unlikely to be approved, and applying increases the number of inquiries on your credit record, lowering your already damaged rating.

CAR LOANS

Car dealerships hate to turn away

buyers—many are willing to make loans to those with problem credit or recent bankruptcies. This isn't as risky for the dealers as it might seem because the loan is collateralized by the car. To obtain a car loan...

Call dealerships and speak to the finance managers. Ask the following questions.

What credit bureau do you use to make loan decisions? Most dealerships check with only one of the three credit bureaus. Go to a dealer that uses the bureau with which you have the highest score. To get your scores, contact each of the following...

Equifax, 800-685-1111, www.equifax.com. *Cost: \$6.95.*

Experian, 888-397-3742, www.experian.com. *Cost: \$6.*

TransUnion, 800-493-2392, www.transunion.com. *Cost: \$5.95.*

Or you can obtain copies of all three credit reports, including scores, on-line at www.myfico.com for \$44.85.

What's the minimum credit score I need to be approved for a loan? The dealer might overlook a bankruptcy, but only if your credit score is above the dealership's minimum. Interestingly, bankrupt people don't necessarily have the lowest credit scores.

How does a recent bankruptcy affect your loan decisions? Many—but not ▶

Bottom Line/Personal interviewed Stephen Snyder, founder of the nonprofit After Bankruptcy Foundation, which educates Americans with poor credit, Fishers, Indiana. It publishes the free E-newsletter *Life After Bankruptcy*. www.lifeafterbankruptcy.com/subscribe

He is author of *Credit After Bankruptcy* (Bellwether).



▶▶ all—dealers will look past recent bankruptcies and other credit problems, for example.

What kind of company provides the financing? Steer clear of any dealership that uses a “finance company.” Finance companies typically charge high interest rates and should be considered lenders of last resort. Other lenders will view it as a negative if they see a finance company loan on your credit report.

If the the dealership uses “a bank,” ask if it’s spelled “B-A-N-K” or “B-A-N-C.” When it is spelled with a “C,” the firm may be a finance company in disguise.

Insist on a noncosigned loan. You might be asked to have a relative cosign your loan. If you do it once, however, future lenders will be more likely to expect the same concession.

After screening dealerships, call

the top contenders to apply for a loan.

Apply for all loans within a 14-day period—applications submitted within 14 days of one another count as one inquiry on your credit report, reducing their impact on your credit rating. (The same is true for mortgage applications.)

Helpful: If a dealership advertises a tent sale or other big event, ask if the manufacturer will have a financing representative present. If so, it’s a sign that the dealership is anxious to finance vehicles in-house, which increases the odds that you’ll qualify for a loan.

MORTGAGES

When your credit rating is poor, you’re unlikely to qualify for a conventional mortgage at an attractive rate, but Federal Housing Administration (FHA) mortgages, underwrit-

ten by the Department of Housing and Urban Development (HUD), don’t take credit scores into account. They’re available to those who have been in bankruptcy, as long as the bankruptcy was discharged at least 24 months before the loan is finalized. An FHA lender is likely to look very closely at your credit history since your bankruptcy, so responsible postbankruptcy use of a secured credit card or car loan can count for a lot.

FHA mortgages charge interest rates comparable to those available to home buyers with exceptional credit and require as little as 3% down. The amount you can borrow is capped, but in all except the highest price regions, caps are high enough to finance a midsized home. To find an FHA lender in your area and determine local mortgage caps, call 202-708-1112 or go to HUD’s Web site, www.hud.gov. ■ ■