

# YOUR MONEY

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# BUILDING YOUR CREDIT HISTORY



Today, credit is an indispensable part of our lives. In order to get the things you need, such as a home or a car, you have to apply for a credit. But you cannot get a credit without having a credit history, and you cannot get a good quality credit without having a good credit history. So, it is important to start building your credit history when you're young.

When applying for a credit, if you don't have a credit history, it is possible that your credit application can be denied. This means you definitely need to start building a credit history. There are different ways to start a credit history.

- If you're a student, you can get a student card from the companies that offer such special cards. On this credit card you can charge your necessities and at the same time build your own credit history.
- When you're a young adult and you have always used checks or paid cash for your purchases you'll soon realize that you cannot apply for credit because you don't have a credit history. A secured credit card can really help you. These secured credit cards are considered a first step for those with no credit history. For obtaining a secured credit card a deposit is required and the spending limit is equal to the amount of the deposit. To make sure you're building a good credit history with this first credit card, be careful not to go over the limit and pay your bills on time. After some time, depending on each company, you can apply for an unsecured credit card but only if you have established this good credit history.
- There are also other more simple ways of starting a credit history:  
One easy solution is to open a savings or checking account that will definitely show how you are able to manage your money.

Or if you have a cellular phone or a pager and pay your bills on time every month, you can demonstrate that you're capable to control your money wisely.

Another way is to consider applying for a card offered by gasoline companies or retail stores. This type of card has a low credit limit and can be paid off each month.

All above methods are just first steps in building a credit history. The next steps are also important because they will greatly influence the history you have started building.

Every time you pay or not pay a bill on time your credit history registers it. Having a good credit history shows that you are a person that treats



debts responsibly and you're likely to pay back the money that you want to borrow. To gain the confidence of the credit companies they have to see on your credit history that you treat every bill responsibly. So make sure to pay the total minimum due on every one of your bills, and make an effort to pay them by the statement due date, so that they arrive on time.



Also do your best to pay at least the minimum, if not the entire, balance each month. Try to never skip payments; it doesn't look good on your credit history.

If you ever feel that your debts are getting out of control, immediately seek help from a financial counselor. He/She will be able to evaluate the entire situation better than you can and can find the best solution that will get you out of that messy situation. A financial counselor will also advise you to annually check your credit report for any errors that may appear. Then, if any errors are present, show you how to correct them immediately.

It is not difficult to start building a credit history; it just takes time and a lot of patience from your side. Yet, we have to admit that the difficult part is to build a good credit history, that demonstrates that you can manage your money wisely. Keep in mind that a good credit history will only bring you benefits.



## Minimum Payments On Credit Cards Will Soon Be Higher

Most people use credit cards. Merchants report that more and more customers make purchases with a credit card rather than with cash. Credit card users may want to pay attention to a new regulation that will affect credit card lenders. Due to recently implemented federal regulations, credit card companies will begin requiring cardholders to pay higher minimum payments each month. Some lenders have already put the new payment regulations in place and the rest are expected to follow by early 2006.

Cardholders who have previously been required to pay 1% of their outstanding balance, will now have to pay the interest charges for that month, any fees that have accumulated such as late fees or fees due to exceeding the credit limit, plus the original 1%. These changes have been put into place because very often the minimum payment amounts did not even cover that month's interest charges, making it virtually impossible to pay down the balance of the credit card.

Federal regulators have made these changes as a way to protect consumers from accumulating extremely high interest charges and building credit card debt that would take 30 years or more to pay down, if the consumer made only the minimum payments. The language of the new regulations states that credit card companies must require cardholders to pay all monthly interest and fees, plus a reasonable amount of the principal. Credit card companies and federal regulators have agreed that 1% is a reasonable amount of principal.

## Closing Credit Card Accounts – Taking The Proper Steps To Protect Your Credit Rating



If you have one or more credit card accounts you would like to close, make certain to take the correct steps in order to protect your credit rating. You will need to pay off the balance on any credit card accounts you wish to close. Notify the credit card company by phone to confirm that you have a zero balance. If you alert the credit card company that you wish to cancel while you still have an outstanding balance, your interest rate could rise dramatically. After you are certain you have a zero balance, let the credit card company know that you are closing your account. Most credit card companies will try to convince you not to close your account by offering you lower interest rates and/or rewards in an attempt to keep you as a customer. You may or may not want to keep the credit card depending on the offers you receive.

After notifying the credit card company by phone, you will need to follow up with a letter stating that you are officially closing your account. Send the letter by certified mail so that you will be able to prove the company received the letter. You will need to wait 30 days, after which you should check your credit report to make sure your account has been closed. Occasionally a credit bureau will list closed accounts as being closed by the creditor and not by the customer. If your credit report states that the issuer closed your account, it could reflect badly upon your credit score. Unless your credit report states that your account was closed upon your request, you will need to notify both the issuer of the credit card and the credit bureaus in writing to correct this mistake.