

Bad Credit OK!

Bankrate.com's Guide to Managing Your Credit



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Bad credit hurts in many ways

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The fear is that credit problems at home create tension and distraction at work, Lynch says. "If you are their employee, will you be getting phone calls from collectors at work? Will the employer have to garnish your wages?" she asks.

Housing

Rental property owners may reject tenant applications with poor credit scores, something only 48 percent of consumers know, says the CFA.

Utilities

Only 30 percent of the Americans that CFA surveyed know that utilities, too, care about credit scores. Even slow credit indications are enough to slap you with a \$500 deposit before the telephone company connects your line or the electric company turns on the juice, says Lynch.

Cell phones

These providers increasingly rely on credit scores to sort the good risks from the bad credit. And bad credit definitely doesn't get the sweetest deals at Verizon. Instead of contract plans that offer more minutes for your dollar and come with a wider selection of phones, those who don't make the cut must consider pay-as-you-go phones.

Elective medical procedures

When Lynch looked into laser eye surgery, the doctor immediately pulled her credit score to see if she qualified for his monthly payment plan. Otherwise, the bill is due in full at the counter. "They're not denying you service, and if it were a mandatory treatment, this would never come up," she says. Wolf has seen the same situation at orthodontist offices.

School loans

When Judge John C. Ninfo II, chief judge of the U.S. Bankruptcy Court for the Western District of New York, made a documentary as part of his "get out of debt now" program for high schoolers, he included the sad story of a Nazareth College of Rochester student who was turned down for a law school student loan because of his FICO score.

He isn't alone. Lynch, too, has watched families' dreams burst when their scores disqualified them from university and federally funded loans. And in this case, it isn't a matter of sucking it up and paying a higher interest rate. "It's black and white. You get financing or you don't," she says. "Not furthering your education is a far-reaching consequence."

Marriage

More than half (52 percent) of CFA survey respondents think a married couple has a combined credit score. Nope. You can't marry your way out of a bad FICO rating, and many times a disparity between partners causes too much tension for the marriage to survive, says Brette McWhorter Sember, author of "The Complete Credit Repair Kit." She personally knows several couples who skipped the church aisle over it.


"If the owner spouse dies, the home and mortgage become part of the estate. If the surviving spouse wants to take over the mortgage, he or she needs to qualify for credit," says Sember. "Most people bank on the fact that they'll live to pay off the mortgage so this isn't a concern."

Unfortunately, Wolf adds, more and more Americans are becoming acquainted with these uses of credit scores the hard way. "People who need the loans typically are paying the higher payments. It's a Catch-22.

Once they get bad credit, it is difficult to overcome with these bills," she says.

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