

Financial Security: Consumer Credit

Credit can be a successful financial management tool. Using credit allows you flexibility in managing your budget to purchase goods and services when they are needed the most, not when you have the cash on hand to pay for them. You are offered credit because people trust you to repay them within a stated period of time.

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Consumer credit takes many forms, including installment loans, credit cards, department store revolving charge accounts, home equity loans, and other kinds of time payment plans.

Wise consumers keep credit use at a safe, manageable level, but this is difficult because reading contracts can be confusing and calculating the actual cost or finance charges requires knowledge and math skills.



It is important to remember:

- Budget your spending carefully.
- Shop around for the lowest total finance charges.
- You should establish a debt limit and stick to it.
- Credit contracts should be read carefully and questions answered before you sign.
- Do not depend heavily on to pay for day-to-day living expenses.
- Pay your bills on time to insure that you can continue to use credit.
- Credit is best used for items where their value will outlast the installment payments.
- Buying on credit nearly always costs more than buying the same item with cash.

Credit management strategies can be used to:

- Avoid the overuse of credit
- Lower the total amount of debt
- Shorten the term of debt
- Reduce interest and finance charges paid for the use of credit.

Periodically, get a copy of your credit report and check it for accuracy and completeness. This is especially important before making large purchases where you plan to use credit, such as for a car loan or a mortgage. In many cases credit reports have minor inaccuracies that need to be corrected. Sometimes there are errors that might result in your being turned down for a loan (to correct an incorrect credit report, use the form provided by the credit reporting agency).

If you have recently been denied credit, employment, insurance, or rental housing based on information contained in your credit report, you are entitled to a copy free of charge from the company that issued the report on which the credit denial was based.

Credit Reporting Agencies:

Online Credit Score Reports:

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