

Connection between excessive open credit lines and risk of personal bankruptcy

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A consumer who has more credit lines than their net income warrants risks a lowered credit score. As credit scores are measures of credit risk, it follows that there would be more likelihood that such debtor behavior could lead to personal bankruptcy. However, we do not have statistical evidence to support this. Even so, consumers should be careful not to open more lines of credit than their take-home pay can comfortably support. Not only is it poor financial planning, it sends a message to creditors that there is more risk in lending to this consumer, resulting in higher interest rates or even denial of future credit.