

Not all credit card problems are due to overspending

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There are many issues that can complicate how consumers use their credit lines.

Here are some issues that should be dealt with promptly when they occur:

- *Do you have too many active credit cards?*
Consumers who have a number of credit cards may be at risk for a credit score downgrade even if those cards have low or even zero balance. Here's why: The credit bureaus look at a consumer's total ability to charge on unsecured credit lines and compare that to their ability to repay. If there is an imbalance (which there easily can be if the consumer has many open credit cards), it is highly possible that it will be seen as a risk and could lead to a reduction in the credit score. If you do have a number of credit cards and want to begin to reduce them, do it slowly, not all at once. Cancel one or two every two or three months. Cancelling more than that could also throw up a red flag and affect your score as well.
- *Do you share a credit line with others?*
Consumers who share the same credit card account with a spouse or family member could be in for trouble. Each cardholder in such a joint account is liable for the actions of all of the other joint cardholders. That can be an issue. If you hold a joint credit card account, you may want to change the situation so that each current joint holder gets his or her own personal account. That way each debtor is building their own credit history and the other aren't liable for each other's actions. And, don't ever, under any circumstances, co-sign a loan with anyone, anywhere, anytime. That is a recipe for certain trouble and maybe worse.
- *Are you contemplating making some changes in the way you use credit?*
It is entirely possible that many consumers are considering some spending pattern changes such as charging groceries when they have been using a debit card or cash, buying clothes and other hard goods at a cheaper outlet, or other changes that could be entirely appropriate to the family's current circumstances. Be careful though. The credit bureaus, and many creditors, will see dramatic changes in spending patterns as a warning that trouble could be on the horizon. If the spending patterns are abrupt and severe, your credit worthiness could be at risk and your credit score could even be affected. That doesn't mean you shouldn't make appropriate changes to how you use credit, but it does mean that you should approach the changes you make gradually and carefully.