

Credit for Survivors

This information is meant to be a general introduction to this topic. The purpose is to provide a starting point for you to become more informed about important matters that may be affecting your life as a survivor and to provide ideas about steps you can take to learn more. This information is not intended nor should it be interpreted as providing professional legal and financial advice. You should consult a trained professional for more information.

Credit is an important part of financial life. This type of contractual agreement provides the ability to pay over a period of time for purchases or services. Most adults have learned about managing credit from their parents, from books and magazines, or from their own experiences. However, the specific needs of cancer survivors are not typically addressed through these usual methods of learning. As a cancer survivor, your past experience and ways of managing credit may need to change.

When used responsibly, credit gives you additional buying power and the ability to spread out the impact of a large purchase, such as a computer or washing machine. However, because you must pay interest on credit purchases, the amount you pay for items can increase significantly if you charge too much, take a long time to pay, or get behind on your credit card payments.

This material is meant for survivors who are not facing immediate problems because of their credit situations. The document does not address serious credit or financial problems although it does provide some information about improving your credit if you have had problems in the past.

This document looks at credit from the unique perspective of a cancer survivor. Some of the suggestions included may be different from what you have heard or read before because this information is written specifically for people with health challenges. Areas covered include:

- What survivors should keep in mind when using credit
- How credit ratings affect other areas of life
- What a survivor can do to protect his or her credit
- What types of credit card protections might be good
- How a survivor can get a protection plan
- How credit records can be protected from mistakes or fraud
- How a survivor can get more credit
- How credit card balance transfers can help a survivor
- What to look for when reviewing credit card applications
- What a survivor can do to reduce credit card debt
- Why a credit card account would be canceled
- How a survivor can manage credit problems
- What to consider about debt consolidation

- What to watch for with credit consolidation or debt management programs

You might find it helpful to discuss this information with a financial services professional, trusted family member or friend. Whatever your situation, there are steps you can take now to establish a better financial situation for the future.

What should survivors keep in mind when using credit?

Living off of credit cards is never ideal. However, if you are unable to work for a period of time or have no other resources, you may not have many options available. Credit is a tool that, if used responsibly, can help you get through a difficult financial period. If not managed carefully, however, credit can create more problems than it solves.

Think about your entire situation before using credit. Ask yourself:

- Are you using credit temporarily to buy things that you need, or are you buying things that you want, but don't really need?
- Are you thinking about the long-term effects of your credit use, or are you avoiding thinking about the future?
- Is your credit situation likely to improve in the near future, or is it likely to become an unwelcome source of stress?
- What is your anticipated earnings/income potential?

How should a survivor use credit?

While you are in treatment for cancer, or at a high risk for a recurrence, your biggest financial concern is likely to be how much cash and credit you have available. You should avoid running up unnecessary debts on your credit card, but if you use your credit wisely, you will have an extra financial tool available to:

- Provide a source of money if you become unable to work or if you have large medical or other bills
- Allow you to make major purchases, such as cars or appliances, without using all of your available cash
- Provide additional life insurance, called credit life insurance, that pays off the account balance if the card holder dies

Keep in mind that too many lines of credit, such as multiple credit cards, loans, and other debt, will negatively affect your credit score. Your credit score is based on your financial history and represents your ability to pay back debts on time and according to the schedule agreed upon when the money was borrowed.

Your payment history and the amount of money that you owe for credit cards and other debts will determine your credit rating. Credit card bills that you cannot pay, or a history of making late payments, will negatively affect your credit rating and lenders' willingness to approve future loans.

Pay down your credit card balances as soon as possible. Your credit cards can then go back to being a backup source of cash in case of emergency.

How do survivors' credit ratings affect other areas of their lives?

Your credit rating can affect many areas of your life including:

- The amount of money that you can borrow
- The interest rate you will be charged on a loan
- How much you will pay in auto, homeowner's and other insurance premiums

In some cases, a credit rating can even affect whether or not you will get a job as some employers are now checking credit ratings before hiring a new employee. Keep in mind that your spouse can be affected by your poor credit rating if you apply for a credit account together. However, there are also states where your joint credit rating is always considered regardless of whether you apply together or not.

What can a survivor do to protect his or her credit?

1. **Pay your bills on time.** If you are late with credit card payments, you may find that you are penalized with a higher interest rate and late fees. Even if you pay a credit card on time every month, if you have missed payments on other cards, the issuer of your good card can raise your interest rate.
2. **Do your best to reduce your credit card debt.** High credit card balances along with the required interest payments will negatively affect your credit rating. Communicate with your credit card immediately if you become unable to make your monthly payment. Request a payment deferment and provide medical documentation that supports your recent decline in income and subsequent inability to keep up with your account payments.
3. **Use each of your cards regularly.** Do not increase your spending, just rotate your usual spending through your different credit cards so that all are regularly used and paid on time.
4. **Use caution with credit applications.** Do not apply for several credit cards at the same time. This can harm your credit rating and possibly your ability to get new cards. Spread out the applications over time.
5. **Do what you can to protect yourself against credit fraud.** Do not give your Social Security number or credit card numbers to anyone who calls you or requests your information via the Internet. Only provide this information to trustworthy companies when necessary.
6. **Keep your personal information at home stored in a secure place.** Carrying personal information with you increases the possibility of it falling into the wrong hands.

7. **Destroy or safely store credit card receipts.** Avoid leaving copies of receipts at restaurants or other places of business where someone can pick up information about your account.

8. **Know the impact of applying for insurance with too many companies.** Online companies that do business by taking your application to shop for and compare insurance rates will send your application to each insurance agency with which they do business. In turn, each agency will then run your credit report. Although you have only submitted one initial application for insurance, your credit is subsequently checked by every company that is sent your application for a rate quote. This means that your credit is checked multiple times, and each check can reduce your credit score.

A better way to find the best insurance policy is to do your own research to learn about:

- The financial stability of the insurer
- The insurance company's record of payment on insurance claims
- The costs for coverage
- The general reputation of the insurer with its customers

An independent broker who works with multiple insurance companies will be able to provide information and recommendations based on their previous experiences with customer claims. Also, consider reading the reports of independent insurance rating companies that are posted on the Internet to find an insurer that is rated "excellent" or "superior." Knowledgeable family and friends also may be able to share information about their own insurance preferences.

What types of credit card protections might be a good idea for survivors?

There are credit card protections available to consumers for a fee. Three types of credit card offers might be of particular interest to survivors:

- **Credit life insurance** pays off the balance of a specific debt if the borrower dies.
 - 1) If someone dies owing a balance on a credit card, the credit life insurance company will pay that exact amount to the credit card issuer.
 - 2) If nothing is owed on that credit card, the credit life insurance company will pay nothing.

The monthly premium for credit life insurance generally depends on the amount of the outstanding balance. There is usually a specified amount charged for each \$100 owed.

- **Credit disability insurance** affects the minimum monthly payment due on your credit card if you become disabled. Some policies pay the minimum amount due

for a certain number of months so you don't have to pay it. However, your outstanding balance, including interest, can continue to grow.

Many newer policies suspend the card's minimum payment requirement and stop the accumulation of any interest and fees. There is generally a limit on the amount of time the suspension will stay in place. With some plans you cannot make additional purchases while the suspension is in place. With others, you can continue to use the credit card.

- **"Bundled" protections** are offered by larger credit card companies during a certain time period and if specific events occur. These include a bundle (or group) of protections that temporarily stop minimum monthly payments, interest charges, and fees except the annual fee.
- If you are not interested in the full package of bundled protections, ask if there is a less expensive plan that includes less coverage. Benefits generally vary according to the reason for your claim. For example, if you are hospitalized, your account may be put on "hold" for one month. If you become unemployed, the benefit period may range from 12 to 18 months.

These bundles usually include protection for:

- 1) Job loss
- 2) Hospitalization
- 3) Short-term disability
- 4) Leave under the Family Medical Leave Act (FMLA)
- 5) Disability or death

You will need to verify the specific terms of each policy you purchase with the insurance provider. It is also important to keep the policy information in a safe place that you can easily access if you need to use the benefit.

How does a survivor get credit protection plans?

With vehicles and large consumer purchases, such as furniture or appliances, you can sign up for credit card protections at the time of purchase.

With credit cards, you can get insurance or bundled plans when you accept the card, or possibly later by calling the company. Most often you are not asked any health questions and there are no exclusions for pre-existing conditions for credit protection plans. What is important is that you are working for a certain amount of time before the date of loss. However, for some protections, such as hospitalization, there is no pre-employment requirement.

How can credit records be protected from mistakes or fraud?

The Fair Credit Reporting Act (FCRA) requires each of the three nationwide consumer reporting companies (Equifax, Experian and TransUnion) to provide you with a free copy of your credit report, at your request, once a year. Be sure to take advantage of this law to ensure that the credit information about you is accurate.

Errors can easily become part of your credit record so you may want to check your credit report more often than annually to help prevent identity theft and report any inaccuracies to the credit bureau immediately. However, there is usually a charge for additional credit checks unless they are due to a denial of credit.

If a survivor already has credit, how can he or she get more credit?

If you have been making your credit card payments on time for at least the last 12 months, call each credit card company to see if they will increase your credit limit. Even if your record is not perfect, you may get an increase in your credit limit if you have a short-term need for credit. Explain your situation, preferably to a supervisor, and ask for a credit line increase. You may also find it worth asking if they will decrease the interest rate on the credit card account.

If you can avoid it, do not apply for credit cards for which you are likely to be turned down. The rejection will be reported to the credit bureaus, and this could hurt your chances to obtain more credit in the near future.

What can a survivor do to get credit if they do not already have credit?

1. Open a credit card account

If you want to open a credit card account and do not have credit, or if you have poor credit, you may still be able to qualify for a credit card. You may only be approved for a small amount, such as several hundred dollars, but it provides a beginning.

2. Request a secured credit card

With a secured credit card, you deposit money with the creditor equal to the maximum amount you can charge on the card. As you pay each monthly balance over time, you build a positive record permitting you to get unsecured credit in greater and greater amounts. For example, if you give the credit card company \$1,000, they hold it as security for a defined period of time while you are allowed to charge up to \$1,000. Making monthly payments on those charges helps establish a positive payment history. Some companies charge excessive fees for secured cards so be sure you understand the charges before you apply for credit or use the card.

- **Look for a secured credit card that:**

- 1) Pays interest on the money you deposit with the credit card company
- 2) Does not charge an annual fee
- 3) Reports the account to the credit bureaus, but preferably doesn't report it as a secured account
- 4) Has a reasonable interest fee on outstanding debt
- 5) Offers credit life insurance, credit disability insurance and additional protections

- **Build your credit:**

- 1) Use the secured credit card frequently, while not spending more than you would normally
- 2) Pay off the charges on time each month
- 3) When you have obtained an unsecured credit card, you can close the secured account
- 4) After closing the secured account, take the money that you had deposited for the secured credit card and put it in an investment or an account that earns a higher interest rate

3. Other ways to build good credit:

- You may want to ask someone if they would be willing to co-sign on an account with you. Keep in mind, however, that if you do not pay the debt, your co-signer will be required to pay the full amount.
- See if you can get a credit card from a local retailer, particularly a store that reports its accounts to the national credit bureaus. If you make charges and pay on time, you will start to build your credit. However, department stores generally charge higher interest rates.
- If you need larger items, such as furniture or home appliances, see if you can purchase them on credit. To help your credit rating, look for a company that reports to the national credit bureaus.
- Use your credit cards frequently and be certain to pay off the full charges every month.

How can credit card balance transfers to a new account help a survivor?

New credit card accounts often come with an introductory low interest rate or even one that is permanently low unless you do not follow the account agreement, such as by making late payments. You may be able to lower your credit card costs by transferring your higher rate balances to cards with lower interest rates.

Credit cards come with either a fixed-rate beyond the introductory period or a variable-rate of interest. The interest level on a fixed-rate card can be raised as interest rates climb, but the change is not automatic and the credit companies are required to give you 15

days' notice. The interest rate on a variable-rate card can move regularly and without any prior notification. For this reason, a low, fixed-rate credit card is better than a low, variable-rate card.

If you find a lower-rate credit card that you qualify for, you can ask your current credit card company to match that lower rate. They may be willing to lower your interest rate to keep you as a customer.

You can transfer a balance from one credit card to another credit card by calling the credit card company to which you want to transfer the balance. They will let you know if there is any paperwork needed from you. If you transfer debt to another credit card for any reason, you do not have to close the old account unless it is preventing you from getting new accounts with higher limits and lower fees. The old account can still provide cash to you in case of an emergency.

What should be considered when transferring balances from one credit card to another?

- It is extremely important to pay your credit card bills on time and to make certain that your credit account balance does not go over your credit limit at any time. These are the situations that can trigger the credit card company to apply a much higher interest rate to your entire balance transfer starting from the initial transfer date. Your credit card account can be checked regularly and easily monitored by setting up your account online.
- There may be a fee for the transfer to a new credit card account. There is often a charge of three percent of the transfer and sometimes more. If there is a fee, you might ask the company to waive it. Just be certain you read the fine print before you choose to make the transfer.
- One way to transfer a balance may be to write a "convenience check" that is provided by the new credit card company. However, you should first ask the new company if this will be considered a cash advance as it could then be subject to a much higher interest rate than a balance transfer.
- When you transfer a credit card balance to another card, keep in mind that any outstanding balance of more than 50 percent of your credit limit may negatively affect your credit rating. This could result in increased interest rates on your other accounts
- If you transfer to a lower interest rate card, find out how long the lower interest rate will last. Often, introductory rates only apply for six months, sometimes for a year, and some last for the life of the balance of the amount transferred.
- Some credit cards require you to make a purchase every month to keep the interest rate low. You will also likely have to pay your monthly bills on time. It is not unusual for a credit card company to raise the interest rate if you make a late payment more than twice in six months, but some will do so sooner.
- Watch out for broad default clauses that allow credit card companies the ability to raise the rate if they decide, in their interest, that your account carries risk.

- If you decide to transfer a balance, you may want to consider not using that card for other purchases.

What should a survivor look for when reviewing credit card applications?

Carefully consider the following items when deciding to apply for a credit card:

1. The current interest rate and the length of time that rate will apply
2. The new interest rate and if it will increase after the introductory period
3. The date when interest starts to be charged
4. The amount of late fees and when they go into effect
5. The effect of a late payment including an increase in interest rate
6. Charges and increased interest rate for using your card to obtain cash
7. Whether the card offers credit life and/or credit disability insurance or other protections

Beware of fees that you may only find in the fine print, such as an additional fee if you make credit card charges while traveling out of the country. Be cautious about phone calls, emails or letters that offer a pre-approved credit card for which you have to pay a "processing" or other fee, other than a reasonable annual fee. You should not have to pay before a company gives you a credit card.

When you receive a letter saying you are "pre-approved," you cannot assume you will automatically receive a credit card. Your credit worthiness will still likely be checked.

In the end, you will have to make a decision about whether transferring accounts or using a credit card is a good thing for you. You need to understand exactly what the terms are and figure out whether it is the right choice for you.

Some important tips to remember:

- Take the time to carefully review the card agreement to learn what triggers higher rates.
- Save all of the paperwork and watch for notifications from the credit-card company about changes of terms in your account.
- Be sure to double check everything when you get your credit card.

- Cancel the credit card without penalty if you discover that the card does not meet your expectations. Do not use the card if you decide you are going to cancel it.
- Keep in mind that negotiating discounts and/or deferments on unsecured debt (credit cards) is much more difficult than addressing individual medical account balances.

What can a survivor do to reduce credit card debt?

1. **Try to reduce the amount of interest you pay on the balance.** If you can find a credit card with a lower rate of interest, consider transferring the balance to that account. Again, read the fine print and watch out for hidden fees.
2. **Consider talking with a financial planner** to see what you can do to increase your net income or decrease your expenses.
3. **Reduce spending** on items you really do not need.
4. **Increase the number of tax exemptions** you claim by changing your W-2 form through your employer, if you receive an income tax refund every year. As a result, less money will be withheld from your pay for taxes, giving you more money to pay down credit cards each month.
5. Carefully consider any benefits of **getting a line of credit or a second mortgage based on the equity of real property you own**, such as a house. The equity is the difference between what you owe on the property and its fair market value. The interest rate is likely to be lower than what you are paying on your credit cards, but consider this option with caution.

If you are interested in looking into this option:

- Remember to check the loan fees and interest rate to make sure that having a second mortgage or a home equity loan would be better than your current financial situation. Talking with a financial expert about the consequences of this option is recommended.
 - In addition to your current bank, contact smaller banking institutions and credit unions to find the best interest rate. You may get better terms if you agree to have payments automatically deducted from your checking account.
6. There may be able to find private resources that provide financial assistance for expenses, such as medication costs and treatment-related travel costs. If you can get this type of assistance, put the amount of money you were able to save towards credit debt payments.

Why would a credit card account be canceled?

A credit card company can cancel a credit card account for a variety of reasons including:

- You do not use a credit card for an extended period of time
- You have a history of late or missed payments on a different account
- You file for bankruptcy

Keep in mind that, although a particular credit card may not be affected by a bankruptcy, (for example, a credit card on which you do not owe anything), the credit card company may cancel the card if it finds out about the bankruptcy.

How can a survivor manage credit problems?

If you believe your credit situation has been handled unfairly, speak with the highest ranking person that you can reach in the credit card company. Consider explaining your health history and letting them know what you are doing to improve the situation that led to the cancellation. Ask for their help. If necessary, speak to a supervisor or write a letter to the president of the credit card company.

Credit is a tool to be handled very carefully, especially during a health challenge. When used responsibly, credit cards can help you get through a difficult time. However, credit cards must be used wisely to avoid creating further stress and financial problems.

What should a survivor know about debt consolidation loans?

Be certain that you understand the terms and interest rates on a loan to consolidate all of your debt into a single loan payment. You may find that lowering your interest rate will not make your present debts more manageable. Ask yourself if you can really afford to repay the amount of the consolidation loan. Find out whether the loan will pay off over the life of the loan or whether there will later be a large, lump-sum payment or "balloon payment" due that you may not be able to afford.

Use caution if you are considering debt consolidation loans. For example, one type of consolidation loan, a home equity loan, requires that you pledge your home equity to a creditor. Although most states provide consumers protection from creditors for a specified amount of equity in their home, that protection may be lost if you do not maintain your home equity loan payments.

What should a survivor know about credit counseling programs?

Credit counseling or debt management programs are supposed to provide debt counseling services that involve negotiating with creditors to set up a debt management plan. The purpose of a debt management plan is to help the debtor repay his or her debt by working out repayment plans with creditors that may include reduced payments, fees and interest rates to the debtor.

Some credit counseling programs are ethical while others charge excessive fees and provide poor service to consumers. If you decide to participate in a credit counseling program, be certain that you know about any fees you will be charged. Also understand whether the service promises to lower the amount you owe, or the interest rate you pay, or to only lower the payments you make every month without significantly changing the terms of your debt. Keep in mind that many credit counseling agencies receive most of their compensation from the creditors to whom the debt payments are distributed.

Although you may not want to deal with credit issues, making regular account payments along with timely communication with credit card companies can go a long way to help you avoid problems. Discuss financial concerns with your attorney, a financial advisor or trusted family or friends to find ways to prevent or address credit concerns.

Works Cited

Lance Armstrong Foundation Survivorship Topics
www.livestrong.org

Landay, David S. *Be Prepared: The Complete Financial, Legal and Practical Guide to Living with Cancer, HIV and Other Life-Challenging Conditions*. New York: St. Martin's Press, 1998.

Caplin, Joan. "Check This Credit Card Ripoff." *Money*, February 2005: 32, 48B.

Petersen, David. *Seminar: Financial Planning for People With HIV/AIDS*. New York, 1994.

Quinn, Jane Bryant. *Making the Most of Your Money*. New York: Simon & Shuster, 1991.