

Harm to credit may be in store



**GAIL
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Here's a tempting offer you should probably resist: Opening a credit card at a store just so you can chop an extra 10 percent or 15 percent off a big purchase.

You know the routine. You empty an armful of merchandise onto the desk near the cash register and the clerk says to you, "If you open a credit card today, we'll take 15 percent off the purchase."

It sounds like easy money, and personally I've been a sucker for the discount several times. I open the card, take the discount; then pay off the card completely when the bill arrives and either close the account or never use the card again.

I always figured I wasn't doing much to help the department store because I don't

carry debts over from month-to-month on credit cards — especially on the high-interest cards issued by stores. But I saw no harm in taking the discount.

Now, I find out, however, that consumers can hurt their credit with this approach.

In fact, the discount on a one-time store purchase can end up costing a consumer thousands of dollars down the line on everything from car loans to home mortgages and even insurance, says Stephen Snyder, author of a book to be released in February called "Do You Make These 31 Mistakes With Your Credit?"

Snyder gained insight into the credit scoring process as a mortgage lender in Indianapolis. And while the credit scoring

agencies keep exact formulas secret, he has analyzed many of the elements that influence the interest rates consumers are charged.

Opening a store credit card isn't nearly as detrimental for a person's credit as failing to make payments on time, but a combination of applying for many cards and missing payments can erode a person's credit score, he says.

Every time you open a credit card account, a store must inquire about your credit history, and each inquiry reduces your credit score. One inquiry can shave as much as 12 points off your credit score, says Snyder.

That's certainly not anywhere as significant as the 100 points you can lose in the "atomic bomb" of credit — a bankruptcy, says Snyder.

And if you are one of the lucky few to have a credit score around 800, you need not worry. But with 850 a perfect score and 300 the worst, few people are anywhere near 800.

Snyder says the average consumer can save himself \$250 to \$300 a month on payments for homes, cars, education and credit cards by improving his credit scores.

"Typically, you get the best of everything with a score of 720 or more," says Snyder. That means, on everything from homes to credit cards you can count on getting the lowest interest rates you see mentioned in the news or in advertisements.

To get zero percent financing on cars, he says, you usually

need 700 or higher. But let the score dip below 640, and a department store may not even issue you a credit card.

Consumers who want to check their credit score can order a report for \$38.85 at myfico.com. Make sure to order a report that includes information from the three different credit firms: Equifax, Experian, and TransUnion. Snyder said ordering your credit report through myfico will not affect your credit score.

If your credit score is getting close to an iffy level, and you just opened a credit card to get a 15 percent discount on Christmas gifts, don't respond by canceling the credit card, says Snyder.

You already lost about 12 points on your credit score when you requested a card, and canceling cards quickly also weakens credit scores, he says.

Instead of canceling the card, Snyder suggests paying off the entire balance on the credit card every month that you use it.

One key to building a good credit score is to use credit well over a long period of time.

"It's best to use the card every month, and pay it off completely every month," he says.

It also helps to never use more than half of the maximum amount you are allowed on each card. So if you are allowed \$1,000 in credit, never charge more than \$500 before paying the entire amount off.

If you haven't already ordered several cards, keep it that way.

The best scores apply to people who have only a few cards and pay them off on time.