

CONSUMER BEAT

Credit (Part II): Problems Getting It?

You have carefully filled out your credit application, and now you are anxiously awaiting the big YES. You really want that loan, or credit card, or charge account. Finally you get the answer. Sorry, they say, we can't extend credit to you. You are disappointed, if not desperate. What can you do?

The first consideration is that you are not alone. It is estimated that about 20 per cent of credit applications are turned down - that's one out of five.

Although credit grantors are not obligated to extend credit to you, they are nevertheless in the business of lending money. It is in their own interest to extend credit, not to refuse it. But because lending money is a risky business, credit grantors all have their own criteria for evaluating a person's credit worthiness and for deciding how much risk they are willing to take.

This is the second consideration: It is possible that other credit grantors may approve your credit application based on their own evaluation. So if you are refused credit at one source, continue to shop around because you may be able to obtain credit from another of the many sources available.

Reasons for refusal

- Your application may have been turned down for a number of reasons. Study the following situations to find out if you fit into one of these common categories.
- Not creditworthy. Have you changed addresses or jobs?

frequently? Considering your income and expenses, can you readily afford credit? If you list all your assets, liabilities and collateral, how risky do you appear to yourself? How stable would you appear to others?

- Not enough information. Applicants often leave out information to try to make their circumstances look better than they really are, or because they feel that certain information is too private or simply not necessary. Badly reasoned or wrong. Without adequate information could have serious implications.
- Financial problems can make a poor credit risk. Sit down and figure out how much money you owe. If your monthly credit payments (excluding mortgages) total more than 20 per cent of your net monthly income, you should consider further credit. Otherwise, you may be heading toward financial disaster.
- Fresh out of school, with little job experience. In this case, you've had little opportunity to establish your credit.
- Make an appointment with a credit loan officer or manager at a financial institution and ask to establish credit. You will be told what you need to qualify; follow the advice.
- Part-time or seasonal employment is often a reason for credit refusal. In this case, you may be able to establish your credit more precisely in your situation more view. Rather than just submitting an application by mail,

apply in person to as many credit grantors as is necessary. Income from other sources such as from child and maintenance support is also taken into account when assessing your credit worthiness, but it is important for you to find out why you have been refused credit so you can improve. Your credit qualifications.

This is the second of a four-part series excerpted from the book, *The Facts about Credit* and you, available free from the Consumer Information Centre, Ontario Ministry of Consumer and Commercial Relations, 555 Yonge Street, Toronto, M5A 2H6. Telephone (416) 963-1111; collect calls accepted.

Friday, October 17, 1980



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