

Game plans for avoiding bad-credit stereotypes

By Dawn Papandrea



Even if you're not borrowing money, a less-than-stellar credit file can impact your personal and professional life. From where you live to where you work to who you date, your credit plays a role, and if you have bad credit, you need a game plan for dealing with the occasions when it comes up.

Without a game plan, you run the risk of people making up their minds about you in a vacuum, and projecting on you the stereotypes associated with bad credit: That you're reckless. That you don't take care of obligations. That you ignore problems instead of facing them.

What those stereotypes don't account for is bad things can happen to good people, says Michael Chadwick, CFP, CEO of Chadwick Financial Advisors. "Credit often has no reflection on who a person is as a human being."

Whether you've had a bad break or not, if your credit history is shaky, owning up to it is the best way to show a potential landlord, employer or mate that you're more than your score. Here's what you can do to save financial face.

1. For the apartment hunter

Most landlords will run a credit check on prospective renters, but that doesn't necessarily mean they are expecting a flawless record. Gina McKague, president and CEO of McKague Financial in Livonia, Michigan, says how a tenant handles the topic can make all the difference. She knows from experience. "The first thing my current tenants said to me when we met was that they had some credit history issues, but they didn't want that to be a

hindrance. It was really impressive that they let me know right upfront," she says. Seven years later, they are still renting from her and have never been late with the rent.

Your game plan: Be honest. If you have some red flags on your credit report, attach an explanatory letter with it, says Chadwick. "That goes a long way. I have no problem at all extending an offer to rent a place I own to someone who says, 'this is my past, this is why it happened, and this is why it's not going to happen again.'"

Another tip is to consider asking a close relative to co-sign the lease agreement with you, as long as you both understand they'll be on the hook if you fall behind on your rent. Or, if you can afford it, you could offer a larger security deposit as a show of good faith, says Chadwick.

Finally, put together a list of character references, with at least one from a former neighbor. "To have someone say that you were a good neighbor and they are so sorry to lose you speaks volumes," says McKague.

2. For the job-seeker

Although it's not customary or even legal for every employer to run a credit check on applicants, there are some industries for which it's the norm. That includes financial services, anything that requires security clearances or positions that involve a lot of cash handling. "An organization like that wants to make sure that you are managing your finances in a responsible way before they hire you," says Kathryn Bossler, financial counselor with GreenPath Debt Solutions. Someone in her position who dispenses financial advice, for instance, needs to have top-notch credit.

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*-- Kathryn Bossler
Greenpath Debt Solutions*

That being said, depending on the nature of the work you seek, a shoddy credit status doesn't have to be an employment deal breaker. "For the most part, your credit won't come up until after the initial interview process," says McKague, by which point, you will hopefully already have made a great impression.

Your game plan: Be realistic about the types of jobs you're seeking. "Whether or not your credit will hurt you boils down to what kind of work you're trying to get," says Chadwick.

If you have your heart set on a job that may require a credit check, get your financial house in order before you make a career move. "Prior to applying for a job, review your credit to see if there are any quick [credit report fixes you can make](#). For example, if anything is past due and you can bring it current," says Bossler. For anything else that might take longer to repair, be forthright with a prospective employer and share how you're working to resolve

any issues. If they like everything else about you and you're convincing, it could be enough for your money missteps to be overlooked.

3. For the relationship suitor

Lasting relationships are based on trust and finances are a part of that. If you're beginning to make financial decisions with a partner, you should have "the talk" about where you stand credit-wise, says Bossler. "It's important to be honest so that your significant other is aware of what you can and cannot do with your credit," she says. After all, it could affect you both when it comes time to shop for a home, vehicle or insurance.

As for when to get **financially naked** together, many couples are having credit conversations early on these days, even as early as the first date, says McKague.

Your game plan: Money is such an unsexy topic and can be the source of many arguments, so find ways to broach the subject in a nonconfrontational manner, says McKague. For example, if you're saddled with student loans, you can ease into the conversation by asking your date about his or her college days and how they paid for tuition. "We talk about finances on a daily basis, so there are plenty of times you could use an opportunity to bring this up. If it's on your mind, it's worth discussing," says McKague.

Don't let credit stereotype you

Improving your credit standing will position you to reach a variety of personal and professional goals. Here are some general strategies to turn things around:

- **Face the music.** "People with bad credit know something is going on, but they tend to hide from it or let it go," says Chadwick. Face down your demons by pulling your free credit report from annualcreditreport.com, and looking carefully at each item. It might very well be that there are errors dragging your score down, in which case you can make those credit report fixes.
- **Share your story.** You have the option to add a **100-word personal statement** to your credit reports by contacting the credit bureaus (Experian, Equifax and TransUnion), says Bossler. This might be worth your time if your poor credit is the result of a catastrophic event, or you were the victim of identity theft. "Although a statement won't improve your score, anyone reviewing your report would see that you are demonstrating a conscientious effort and plan to resolve any issues," says Bossler. If you simply went on a spending spree you regret, however, a statement in that vein won't help you.
- **Get on the right track.** The best way to rebuild credit is to pay all of your bills on time every time. If you currently don't have access to credit products, you can get a secured personal loan or **secured card** to start the ball rolling. In the meantime, create payment plans for outstanding debts and/or negotiate with creditors. "You

have to be proactive. It's only a couple of weeks of really hard work, and the payoff could take years," he says, but you'll be back on the right path.

Being proactive can help you overcome the negative connotations of bad credit. And even if you do end up having to put some plans on hold while you make improvements, it's not forever. "Your credit score is not a terminal illness," says Bossler, so don't get discouraged if your credit past delays a goal. "You always have the ability to turn that score around."

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