

## Solving the Credit Problem

By James C. Lawson

Credit cards . . . They've become increasingly important to many consumers and increasingly harder to get.

In an era when tight money and high interest rates prevail, the shower of "plastic magic" that created a nation of credit-thirsty consumers several years ago, has slowed to a trickle, leaving an increasing number of "worthless souls" unable to enjoy a bigger slice of the American Dream.

Check cashing, emergency purchases, fancy restaurant meals, hotel rooms and airfare are easily obtainable with bank or travel and entertainment cards. You can even use them to prove your credit worthiness to obtain additional credit.

But to the millions of persons whose credit applications have been rejected, or those who mismanaged their credit in the past, the thin pieces of plastic can be a curse that separates the "haves" from the "have-nots."

Credit card discrimination, it's vicious and frustrating, say credit experts.

That's why Timesaver, Inc., a national credit card marketing firm, has begun offering BankAction, a program that allows persons who have been denied credit to obtain a bank credit card simply by depositing collateral into an interest-bearing savings account for at least a year.

Timesaver also offers national department store, airlines and other types of credit cards as well.

To obtain a bank card from BankAction, write Timesaver, Inc. at 12276 Wilkins Ave., Rockville, Md. 20852. The company will send you a credit application and request a \$25 refundable deposit. Upon receipt of your application, the firm will request you send a check or money order to cover the collateral savings deposit of \$300 to \$2,000. The amount you deposit earns 5½% and serves as your credit line. Upon obtaining your card, you can always increase the credit line by depositing more money. It will be returned to you a year later, if you've kept your charge payments current. If not, the money will be held in the collateral account for another year.

That card could be all you need to get back on the road to credit success. And that's especially important if you hope to ever purchase a home, a new car or obtain a sizable business or personal loan.

"A lot of people don't realize how,

vicious credit card discrimination can be," notes H. David Meyers, chairman and founder of Timesaver, Inc., "Many department stores won't issue you a charge card unless you have a bank card. It's almost impossible to rent a car or reserve a hotel room without some kind of credit card."

A financially sound foreign-born author recently discovered the power of American Express was better than the power of his checkbook when he tried to subscribe to a home computer network system that only billed to credit cardholders. He's since obtained American Express and now wouldn't think of staying in his New York City home without it, especially since he now can enjoy electronic mail, stock market reports and 11 different daily newspapers on his home computer system.

Establishing credit can be hard, especially for young persons with no credit history or persons with a few blips on their credit record. It can be done, however, with a well-planned strategy.

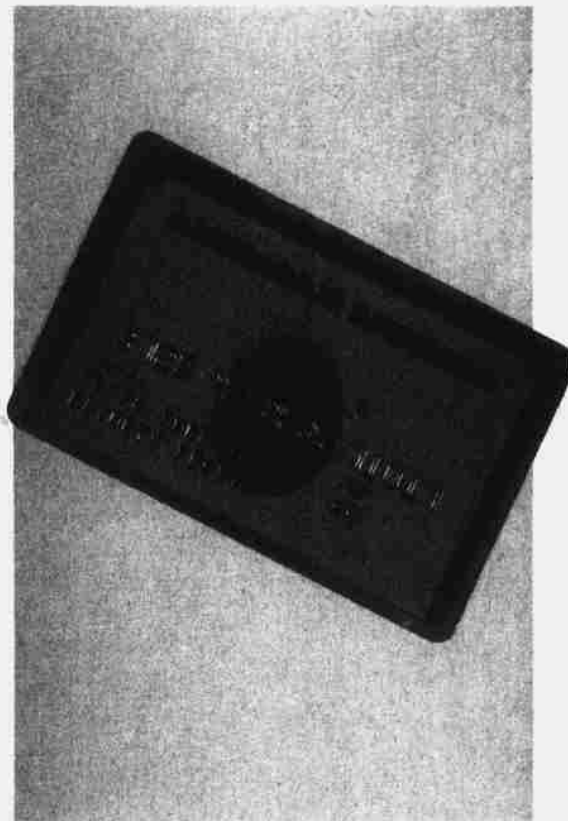
While Timesaver can help some to obtain credit it's not the only means of restoring credit. One way to grease the path, suggests Gerard M. Banmiller, a vice president with Midlantic National Bank/South, Merchantville, N.J., is establish credit with a bank.

Even if you've had difficulty, if you've paid off your previous creditors, and have a good relationship with your community bank, you still can get a bank loan if you can show your previous troubles were caused by a loss of job, a divorce or some other problem that limited your payment ability.

"Get a strong co-signer—a relative or a close friend—borrow a small amount of money and pay it back within the terms of the loan agreement," suggest Mr. Banmiller.

While you may not be in need of the money, you could invest it in an interest-bearing negotiable order of withdrawal (NOW) account, a passbook savings account, a statement savings or a 90-day savings certificate which pays a 6% compounding interest rate.

An even better investment could be a higher yielding money market mutual fund, which can be obtained through a stockbroker or directly from a mutual fund. The yield on most money market funds currently ranges from 12% to 16%. The funds also have checkwriting features for instant liquidity.



Another investment tool could be an individual retirement account (IRA) which not only allows you to earn interest, but save for your retirement as well.

Bank credit established this way could be quite inexpensive, especially considering your return on your investment. Even if the interest you pay on the loan is greater than what you earn, remember it's tax deductible.

When shopping for credit, look for the best deals, financial experts say. Compare interest rates, grace periods, payment arrangements and other fees. Some banks now have begun charging their credit card customers an annual membership fee.

One basis for comparison is the annual percentage rate (APR) which is the relative cost of credit on a yearly basis. Be sure to consider:

- How frequently do you plan to use your credit card?
- Do you plan to use your credit card as a form of identification?
- Do you plan to carry balances from one month to another?

The essence of your credit application becomes a list, and how you score, depends upon how many points you get for your answers.

A loan officer, for example, may give you more points for owning a house rather than renting an apartment. A person with many years on the same job may get more points than a person who may have only a few years on a job. ■