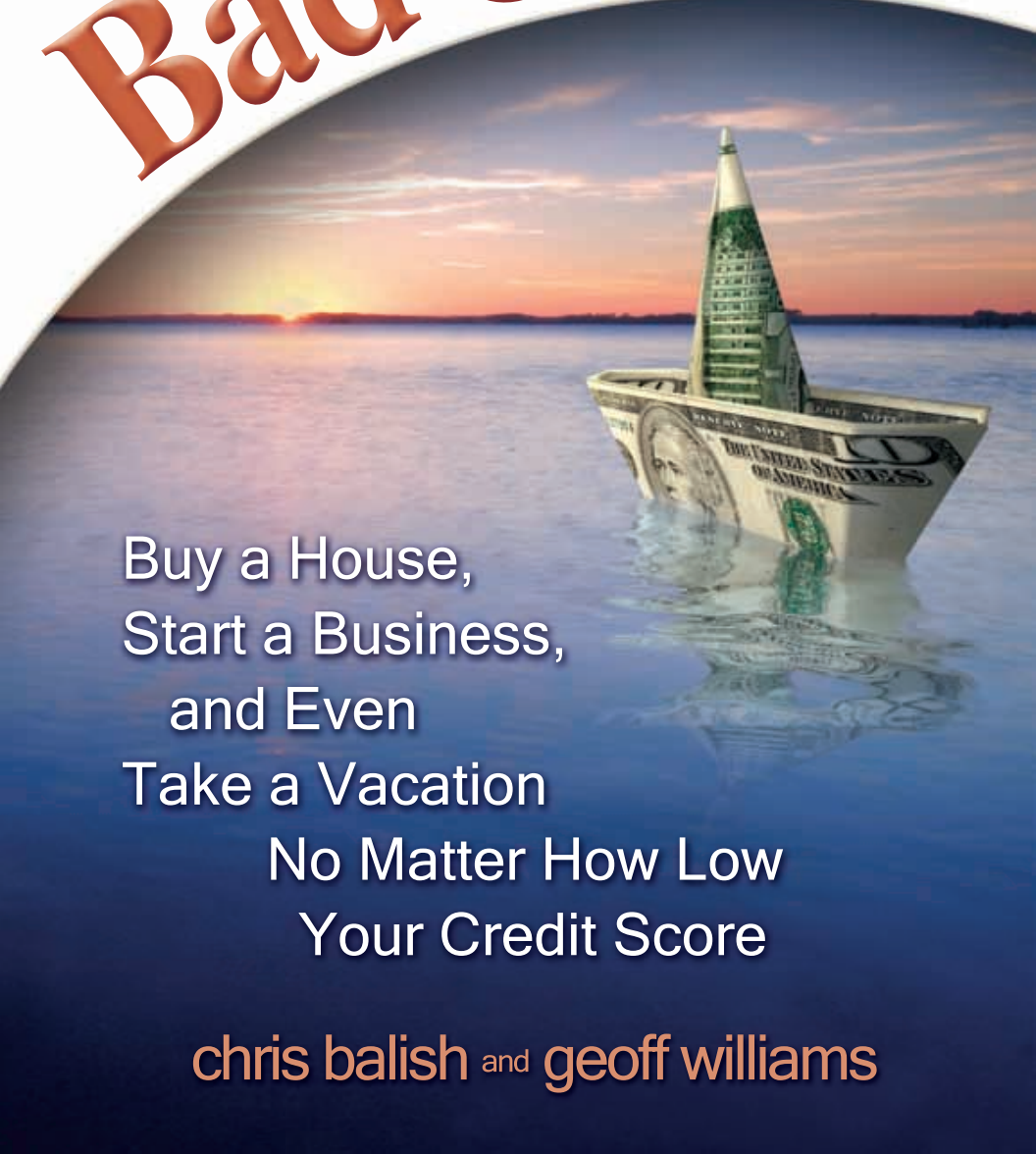


SAMPLER

# Living Well with Bad Credit



Buy a House,  
Start a Business,  
and Even  
Take a Vacation  
No Matter How Low  
Your Credit Score

chris balish and geoff williams

# Living Well with Bad Credit

Buy a House,  
Start a Business,  
and Even  
Take a Vacation—  
No Matter How Low  
Your Credit Score Is

CHRIS BALISH & GEOFF WILLIAMS



Health Communications, Inc.  
Deerfield Beach, Florida

*[www.hcibooks.com](http://www.hcibooks.com)*

**Library of Congress Cataloging-in-Publication Data**

Balish, Chris.

Living well with bad credit : buy a house, start a business, and even take a vacation—no matter how low your credit score is / Chris Balish and Geoff Williams.

p. cm.

Includes index.

ISBN-13: 978-0-7573-1358-5

ISBN-10: 0-7573-1358-2

1. Consumer credit—United States. 2. Commercial credit—United States.  
3. Credit scoring systems—United States. 4. Finance, Personal—United States.  
I. Williams, Geoffrey, 1970- II. Title.

HG3756.U54B35 2010

332.024—dc22

2009044834

©2010 Chris Balish and Geoff Williams

All rights reserved. Printed in the United States of America. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the written permission of the publisher.

HCI, its logos and marks are trademarks of Health Communications, Inc.

Publisher: Health Communications, Inc.

3201 S.W. 15th Street

Deerfield Beach, FL 33442-8190

*Cover design by Larissa Hise Henoch*

*Interior design and formatting by Lawna Patterson Oldfield*

# CONTENTS

Introduction: Bad Credit Happens to Good People .....	vii
CHAPTER ONE:	
<b>WELCOME TO THE LAND OF BAD CREDIT</b> .....	1
CHAPTER TWO:	
<b>BANKING WITH BAD CREDIT</b> .....	23
CHAPTER THREE:	
<b>GETTING A GOOD JOB WITH BAD CREDIT</b> .....	41
CHAPTER FOUR:	
<b>GOOD HOUSING WITH BAD CREDIT</b> .....	55
CHAPTER FIVE:	
<b>DRIVING: BAD CREDIT IN THE PASSENGER SEAT</b> .....	85
CHAPTER SIX:	
<b>STARTING A BUSINESS WITH BAD CREDIT</b> .....	95

## CHAPTER SEVEN:

**LIVING WITH BAD CREDIT** ..... 115

## CHAPTER EIGHT:

**AVOIDING BAD CREDIT SCAMS** ..... 139

## CHAPTER NINE:

**BAD CREDIT: PSYCHOLOGY 101** ..... 157

## CHAPTER TEN:

**GETTING YOUR GOOD CREDIT BACK AND PREVENTING  
BAD CREDIT FROM EVER HAPPENING AGAIN** ..... 181

Index ..... 193

CHAPTER ONE

**WELCOME  
TO THE LAND OF  
BAD CREDIT**

*It is a strange thing that the man  
who pays cash for all he gets cannot get credit  
while a man who runs bills habitually can  
get about all the credit he wants.*

COMMENT MADE IN THE *WORTH COUNTY INDEX*,  
JANUARY 3, 1907


IT ISN'T JUST THIS GENERATION that has been saddled by debt. Your grandparents had their own recessions and challenges in making payments to credit card companies and department stores. Back then it was Montgomery Ward and Sears; now it's Walmart and Amazon.com. Even your grandparents' grandparents struggled with money. If you've ever watched the 1970s TV show *Little House on the Prairie*, that series occasionally mangled the historical truth, but they were right on the money when they suggested that Charles Ingalls would have gotten credit at the mercantile store that Harriet and Nels Oleson owned.

We know you're anxious about the future, and maybe not all that interested in the past, but it helps to know how you got here. If you don't know what mistakes were made along the way, you can't fix them.

And as it turns out, credit problems have been brewing for a long time. Of course, for a long time everything worked pretty well, so we're not saying that every decision involving credit and debt for the last century has been built on a foundation of deceit and doom. Credit has a long and honorable history of working well. And yet, it's understandable why you got into debt in the first place. We have a rich history of spending money we don't have.

Even before the first national credit card—the Diner's Card—came along in 1949, there were credit cards issued by your local friendly neighborhood department store. These started getting popular in the 1930s, during the Great Depression. Nobody had money, and businesses were desperate to at least have the promise of future income. Before that, individual stores would routinely offer credit to their regular customers.

In fact, one of the first, and maybe *the* first, credit bureau actually showed up in Brooklyn around 1869, and by the 1890s credit bureaus were pretty commonplace throughout America. In fact, one of those 1890s bureaus, the Retail Credit Company, eventually became Equifax, which is one of the three giant credit agencies today.



The three major credit bureaus are Equifax, TransUnion, and Experian.

And what's so unsettling about debt history is how familiar everything is. The numbers get higher, but everything else pretty much stays the same. For instance, in

1896 the *New York Times* ran a detailed story about a lawyer who was having money problems (apparently they never divulged his name, to spare him any embarrassment). Anyway, one morning at breakfast, the attorney's wife handed him a bill for \$5. He looked it over and said that the bill was "a small matter and the man could wait." Then the wife handed her husband a bill for \$200. The lawyer again examined the bill, this time for a longer time. He finally handed it back, saying that the bill "was a large matter, and the man would have to wait."

See? Nothing changes. Human nature is human nature.

Consider the home equity loan, which seems like a pretty modern way of going into debt, due to its surge in popularity since the 1980s. But they've been around since at least the days of the Great Depression. Back in 1961, a Florida bank, St. Pete Federal, ran a newspaper ad explaining the home equity loan concept to their customers. "Chances are, you can get more money out of your home than you've put into it," the bank's ad read, adding that customers could use a home equity loan to "turn a weekend at the beach into a month in Europe. Turn a ski boat into a yacht." The advertisement's headline gushed, "It's like magic."

*Like magic.* No wonder so many of us are in trouble.

Not that we want to pass the buck (okay, maybe the wrong expression to use). Obviously, ultimately, we as individuals are the ones responsible for our money mismanagement. We signed on the dotted lines. Nobody forced us to get credit cards or take out loans. We have to own our mistakes, and boy, do we own them. But if you're going to beat yourself up, don't think for a second that you got into this all on your own. Banks have been holding your hand and whispering sweet nothings into your ear for quite some time now.

## LIVING WITH BAD CREDIT

*The only reason I made a commercial  
for American Express was to pay  
for my American Express bill.*

ATTRIBUTED TO ACTOR PETER USTINOV

HAVE YOU EVER THOUGHT ABOUT just how expensive it is to live? Seriously, have you ever pulled out a calculator or created a spreadsheet for life?

If you're a baby boomer, you'll get this right away, and Generation Xers will probably get it, too. But those of you born in Generation Y (we can't think of anything better to call you guys) will have to take our word for it. It is so much more expensive to live in the year 2009 than, say, 1975. And we're not just talking about standard inflation; that's an expected part of life. We're talking about all the newly created expenses that modern man (and woman) just can't live without—even though we got along fine without them just thirty years ago.

Back then you didn't have a cable or satellite TV bill. You didn't have a cell phone bill. You weren't paying a monthly fee for Internet access. You didn't pay for a Blackberry. You had no text-messaging charges. No one had an iTunes account. Satellite radio didn't exist. Tivo wasn't invented yet. No one ever heard of OnStar. And you couldn't rent movies from Blockbuster or Netflix. But thirty years later we have all those expenses and more. Each one represents another monthly expense and another way that your credit can get dinged. All of these monthly fees, which add up silently over months and years, can really take a toll on not only your checking account, but also your credit history, if you're signing up for services you ultimately can't pay for, or if the money for the services is keeping you from paying other bills, like your mortgage.

Since we're talking about how many more expenses we all have today, we might as well throw in the banks, with their web of fees, and let's not forget credit cards with their compounding interest tricks and late-payment charges. Take a look at the big picture and you can really start to see how much more expensive living has become. Small wonder that so many people get overextended and wind up having financial problems and bad credit. And get ready for even more. Every year society adopts and adapts to new technological advances and there are constantly new ways to spend money.

So if you're not willing to become Amish and you want to stay in the game and pay for Internet access, send texts, and have GPS on your cell phone, if you can't bring in more money, you're going to have to cut back somewhere. It's simple math.

And while people differ on how they spend their money, nobody's going to disagree that you should always try to get the best deal you can. So in this chapter we're going to discuss some ways to spend

money despite your lack of access to credit and credit cards—and some ideas that simply might help you save money.

## VACATIONS

Despite what you might think, a lousy credit history will not prevent you from going on a weekend getaway or enjoying a nice vacation with the family. Sure, a six-month dream trip around the world can be a challenge to pull off without ever using a credit card, but a one-week vacation to the islands is perfectly doable.

That said, hopefully it's clear by now that we're not advocating going off on some vacation if you're drowning in debt and can hardly put food on the table. We're saying that if your money situation is under control, or somewhat, and you want to take a vacation without credit cards, you can.

**Chris:** No kidding. I have two friends with completely trashed credit, and they go to Cabo San Lucas and Las Vegas all the time.

**Geoff:** And I've had to rent cars and stay at hotels on business trips, and for the occasional wedding out of town, and I've used a debit card. It's a bit of a hassle compared to a credit card, but not a major one.

Julie Sturgeon, who runs Curing Cold Feet, a travel agency in Indianapolis, echoes what we're saying. If you're traveling without credit cards, all you have to really do is map out a strategy in advance, make some phone calls ahead of time, be creative, and keep a good attitude.

## **AVOIDING BAD CREDIT SCAMS**

IT'S HARD TO IMAGINE WHY a con artist would go after someone who is having money problems. If your credit score is in tatters, your bank account is all but empty, and you feel like buying chewing gum is a luxury you can't afford, you might wonder why a con artist would ever bother with the likes of you. But nobody's telling that to the con artists. They've created a cottage industry in chasing after blokes who are flat broke.

Sure, thieves know they can make more money by going after the wealthy, and some enjoy robbing banks because, as career thief Willie Sutton once said, that's where the money is. But most crooks and swindlers will take anyone's cold, hard cash. And thieves know that a person with bad credit, a person who is desperate to make all of their pain go away, is usually an easy mark.

You're also a safer target than a bank or a liquor store. A thief knows that he's looking at ten to twenty years behind bars if he's caught robbing a bank. And odds are the guy behind the counter in a liquor store

is wielding a gun or a baseball bat, just waiting to be crossed. In contrast to those risky endeavors, if a con artist can get you to willingly send them money, especially thousands of dollars, well, from their point of view, you're a sucker, and you deserve to lose your savings.

We want you to hang on to your money, and, of course, you do, too. But you're probably thinking that this chapter is one you're going to skip because you're too smart to fall for any swindlers. Hopefully you are. But then again, there's a reason why scams work in the first place. People invest their hard-earned money into them because, at the time, they seem like a plausible way of making a good return, or a good way to get oneself out of a bad situation. Plus, crooks work hard to envelope their scams in an aura of integrity. Maybe the company's name sounds a little like a trusted financial institution you've seen a hundred times in commercials. Or maybe what they do is perfectly legal and ethical in practice—except the person behind this scam isn't going to be legal and ethical.

The reason there's always a new scam going around is that scams work. In 2008, for instance, according to a Javelin Research study, \$48 billion was lost to identity theft, which is a growing business. There were 700,000 reports of identity theft in 1999; by 2009, the number was well north of 14 million. Somebody's being fleeced.

So let's take a look at the scam hit parade. We hope you'll nod and say, "Yep, I know all of this." But scams are ever changing and always reinventing themselves. So hopefully, by taking a look at this list, if you ever come across any of these "opportunities," you won't pull out your debit card—you will run in the other direction or to the police station to file a report against these scumbags.

## GETTING YOUR GOOD CREDIT BACK AND PREVENTING BAD CREDIT FROM EVER HAPPENING AGAIN

*It only takes a few months to get a bad rating,  
but it may take years to wipe it clean. It seems a rather  
stiff punishment that failing to pay a \$10 gas bill  
could prevent you from buying a \$12,000 home,  
but it's true, nevertheless.*

CHARLES V. NEAL, JR., A FAMILY FINANCIAL COUNSELOR,  
MAKING AN OBSERVATION IN A 1958 NEWSPAPER COLUMN  
(AND, NO, THE \$12,000 HOUSE IS NOT A TYPO.)

SURE, THIS BOOK IS ABOUT LIVING well with bad credit, but we're not saying you should try to live with it forever. The Land of Bad Credit (LBC) should be no more than a temporary stop on the way to a better place. Think of it as a twelve-hour layover in Cleveland on your way to Maui. (Just teasing you, Cleveland. Chris spent years living in Ohio, and Geoff was born and bred in the Buckeye State, after all.) We're just saying that since you're in the

LBC right now and you've got some time to kill, you might as well make the best of it. But, yes, let's try to get back on the plane as soon as we can.

We said early on in these pages that we weren't going to give you a formula for success, but every self-help book has one, and suddenly we can't resist. If you want to get your good credit back, here are two simple steps: (1) Pay your bills on time and (2) Don't spend more than you have.

**Chris:** Oh, so that's *all* there is to it? (*Note sarcasm.*)

**Geoff:** We're saying the steps are simple; I'm not saying they're easy.

For those who have plenty of dough rolling in, it can actually be pretty easy. For those who don't, not so much. But ultimately, that's what you have to do—pay on time and live within your means. One of the benefits of having bad credit—really, really, really bad credit—is that it can *force* you to live within your means because loans and credit lines aren't accessible to you. And if you can train yourself to live completely within your means, then you're going to find your credit score going up. Then when you do have to take out a loan for a house, a car, or something else that's important, you can get the low-interest rates, and low-interest rates will help you to continue living within your means.

Here are a couple of ways you can speed up the process of getting your good credit back, and why we implore you to use caution.

# If bad credit has happened to you, there is something you can do about it.

**Feeling broke and battered?** We know the feeling—heck, everyone knows it. According to the *Wall Street Journal*, 110 million Americans have bad credit—almost 50% of the adult population. But we don't have to be depressed or discouraged about it. There is life after bad credit. In fact, there's even life *during* bad credit.

*Living Well with Bad Credit* is the right help at the right time. If you're bravely soldiering on despite your finances going south, this informative book is for you. It puts the emphasis on living with bad credit—and living well. Veteran journalist Geoff Williams (AOL's personal finance blog [WalletPop.com](http://WalletPop.com), [CNN-Money.com](http://CNN-Money.com), [Bankrate.com](http://Bankrate.com)) and media powerhouse Chris Balish, an Emmy Award-winning broadcast journalist and author (*How to Live Well Without Owning a Car*), have teamed up to bring you:

---

Usable tips on how to embrace, and even benefit from, a low credit score

Invaluable advice for dealing with “lifestyle” events such as how to buy a car or qualify for a credit card with bad credit

Interviews with dozens of experts and successful professionals who share ideas on how to live with the negative effects of bad credit

Practical discussion on topics that go beyond finance, such as healing self-esteem and building relationships in spite of bad credit

---

While bad credit can be a setback, it doesn't have to be a roadblock. This expert guide is just the ticket to a better life once again.

**Chris Balish** is a seven-time Emmy Award-winning broadcast journalist with more than ten years of experience on live television and radio. He is also the author of *How to Live Well Without Owning a Car*. Balish has appeared on *Today*, MSNBC, and CNN. Learn more about Chris at [www.chrisbalish.com](http://www.chrisbalish.com).

**Geoff Williams** has worked as a newspaper and magazine journalist for more than fifteen years, writing for publications as diverse as *Consumer Reports*, *Entertainment Weekly*, and *Entrepreneur*. He also writes daily for AOL's personal finance blog, [WalletPop.com](http://WalletPop.com), as well as HGTV's real estate website [FrontDoor.com](http://FrontDoor.com), where he is a columnist.

Visit <http://livingwellwithbadcredit.hcibooks.com> for the authors' latest advice.

**\$12.95** NOT FOR SALE

 **Health  
Communications, Inc.**<sup>®</sup>  
[www.hcibooks.com](http://www.hcibooks.com)

Personal Finance

ISBN-13: 978-0-7573-1358-5

ISBN-10: 0-7573-1358-2

