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5 Things You Can Learn About Credit from Gangster Flicks

Credit advice from “Goodfellas”? You bet! These financial experts read between the lines of classic gangster movies to deliver the goods. Grab a cannoli, and get the dirt on credit protection. Bada bing!

The World Is Yours... If You Don't Get Cocky



“Say hello to my little friend.” ~ “Scarface”

Like the submachine gun Tony Montana wielded in “Scarface,” your credit cards are powerful. They can open doors, but they don't make you invincible.

Denise Winston, money expert for Money Start Here, says, “Just because you own a gun doesn't mean you know how to use it.” The same principle applies to credit cards. “Respect it, practice using it, clean it, and keep it in a safe place... maybe even under lock and key.”

Having credit cards can lure you into a false sense of security. The best financial protection is a good credit score, which can “dictate the quality of your life – where you live, what job you have, and what you drive,” says Winston.. “Managing and protecting your credit score can make deals happen and command respect.”

Be Wary of Favors



“I’ll make him an offer he can’t refuse.” ~ “The Godfather”

Unless you have a gun to your head, think twice before signing up for a rewards credit card. Real-estate lender Todd Huettner, president of Huettner Capital, says, “Card promotions can lower credit score more than other cards.” Plus, every new card requires a credit inquiry and disturbs the average age of your file, both of which ding your score, says credit education expert Solomon Algazi of Credit Servicez.

Most interest-free periods are costly, with rates over 20 percent if the balance isn’t paid in full by the end of the promotion, says Huettner. “They offer these discounts to make money on finance charges.”

No doubt “The Don” will collect on his favor, so “Only use the promotional card that saves you money if you have money to pay off the purchase immediately,” says Huettner. Miss the drop-dead payoff date – it’ll cost you an arm and a leg.

If It Looks Like a Rat, It Probably Is



“If you had any idea of what we do, we would not be good at what we do, now would we?” ~ “The Departed”

“This quote sounds like the guys who created credit score algorithms,” says Huettner, who acknowledges that

the ways to improve your score are often opposite of what you might think:

- **Do open a new account.** If you don't have much credit, add some. You need breadth and depth – at least three cards open for at least two years. Boost your score further – get approved for a limit that's double or triple what you plan to charge on the card.
- **Do close accounts.** You don't need a charge card for every store at the mall. Open accounts will show you can manage credit, but too many cards (more than 10 or 15) are suspect.
- **Do use a credit card.** Make a charge to one or two cards twice a year. Pay them immediately. Demonstrate that you can manage your credit.
- **Don't use a credit card.** Having unused cards helps your utilization rate, showing you can have access to credit and not use it.

“It's never the amount of money you owe that tanks your credit score,” says Algazi. “It's always your debt utilization ratio – the amount of your overall available credit you've used up. The higher your ratio, the lower your score.” For example, a \$10,000 combined credit limit on three cards and \$7,000 in credit card debt means your utilization ratio is a high 70 percent. “The ratio gives a general idea of the leverage of the individual along with the potential risks the individual faces in terms of their debt load,” says Algazi.

Unlike gangsters, credit cards don't honor a “code of silence.” Misuse them and they'll go straight to the credit bureaus to ruin your financial reputation.

You're on Your Own



“Everybody had their hands out. Everything was for the taking. And now it's all over.” ~ “Goodfellas”

“Until recently, money was easy to come by,” says Gail Cunningham, vice president for the National Foundation for Credit Counseling. “Now interest rates have gone up, credit lines have been lowered, annual fees have been added on, and accounts have been closed.”

As “Goodfellas” Henry Hill says, “Your murderers come with smiles... as your friends... and they always seem to come at a time that you're at your weakest and most in need of their help.” Says Cunningham, “The credit scoring model is similar to the Mob – pay on time or you'll suffer immense pain!” But it'll be a lower credit score – not the muscle – that comes knocking.

When you're strapped, you might be tempted to utilize payday loans and non-traditional forms of credit that

are willing to do business with you... for a price. Instead, create a budget, track spending, and try to save. “Lack of savings often delivers the financial knock-out punch, causing people to make decisions that aren’t in their best interest,” says Cunningham.

Don’t Gamble with Credit



“The longer they play, the more they lose, and in the end, we get it all.” ~ “Casino”

Credit card companies are out to make dough. Don’t gamble with your score. Play by the rules. Aaron Patzer, vice president of personal finance at Intuit, offers tips to stay alert for anyone who might try to blow up your credit score... or your car:

- **Hire informants to watch your back.** Set up bill reminders with lenders to prevent late payments, which have the biggest impact (up to 35 percent) on your credit score.
- **Steal your credit report. It’s free, so there’s no crime.** Check carefully for errors – they can be like brass knuckles to your score.
- **Diversify your operations.** A good mob boss diversifies. About 15 percent of your score depends on your credit mix – credit cards, auto loans, and mortgages.

Whatever your credit situation, don’t be afraid to go to the mattresses to win the financial war. Keep a close eye on what’s yours and never underestimate the other guy’s greed.

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