



## DEVELOPING AND USING A WISE BORROWING STRATEGY

The sensible use of debt should be part of any sound financial strategy. Debt can enable you to enjoy things that otherwise are beyond your current reach. Borrowing can also have its ugly side. Too much, too expensive or the wrong kinds of debt can make life miserable.

### The basics

Borrowing costs money. That is not necessarily bad. It just means that when you pay it back, you have to pay more than you borrowed. The components of a good debt strategy are quite simple:

- **Choose when and what to borrow for carefully.**
- **Find the best interest rate and terms, based on your needs and wants.**
- **Live up to your repayment responsibilities.**
- **Periodically review your debt. Refinancing your mortgage or auto loan may save you money.**

### The importance of a good credit record

A good credit record does more than just make future credit approval easier to get. Most lenders use your credit record to determine credit limits and what rates to charge. A good credit record will save you money. A program enables you to get a free credit report once a year so you can know your own credit record. You can request your free report at the website - [www.annualcreditreport.com](http://www.annualcreditreport.com). Otherwise you can order a report from one of the three large credit reporting agencies.

### Order your credit report:

Equifax	800/685-1111
Experian	888/397-3742
TransUnion	800/888-4213

- **Common sense borrowing habits**
- **Never borrow what you cannot repay.**
- **Never borrow for a luxury if you cannot afford the necessities.**
- **Prioritize your borrowing.**
- **Reserve some borrowing capacity for emergencies.**

### Getting help if needed

Take action immediately if your borrowing is getting out of control. If credit cards are the problem, stop using them or even cut them up. Contact lenders to develop a workable repayment plan. A qualified credit counselor can help.

### Consider all the terms

Comparing credit cards can be confusing. You have to consider interest rates, fees and associated benefits. The right card for you should reflect how you use it. If you pay the full balance monthly, the interest rate is of little concern. Focus on any annual fee and benefits such as airline miles. If you carry over balances, the interest rate should be a top concern.

The “right mortgage” for you should balance interest rate, length, and down payment requirements that fit your situation. Adjustable rate mortgages usually have lower rates, but your payments may increase. Long-term mortgages usually lock a higher rate. If you expect to stay in one location only a few years, an adjustable rate mortgage may be best. If an increase in monthly payments would be too painful, look at a fixed rate mortgage or an adjustable one with rate adjustment limits.

### Prioritize borrowing based on long-term value

1. College educations
2. Housing
3. True necessities
4. Autos
5. Major Furniture purchases
6. Vacations
7. Expensive jewelry rarely worn

### Summary

Being conservative in your use of borrowing can help you take control of your financial future. Borrowing for the right reasons and living up to your repayment responsibilities can make borrowing a useful financial tool.