

# WILL HOLIDAY SHOPPING AFFECT YOUR CREDIT AND YOUR HOME BUYING GOAL?

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As we get closer to the holiday season most of us will be racking up the credit card bills, as the average American spends over \$800.00 in holiday gifts. 80% of shoppers plan on making their purchases using their credit cards, while only 60% of these people think about the risk to their credit score, according to a survey by Transunion, credit information provider. How can holiday overspending hurt you?

Part of your credit score is based on how many accounts you



have open. Around holiday time it is very easy to say "YES" to opening new accounts when they offer a percentage off from your total bill. Seems like saving \$20.00 on a \$100.00 charge is a great idea but what is the long-term effect?

Every time you say yes to opening up a credit card, your credit is checked. Every time your credit is checked, it lowers your overall score approximately 5 points. Just think if you open 5 store credit cards and each inquiry will cost you 5 points you've now lowered your credit score by a minimum of 25 points. 25 points is a lot if your goal in the New Year is to purchase a new home. On a \$200,000.00 mortgage it may be an increase of \$44.00 per month. While that might not seem like a lot,

over a 30-year period it adds up to be \$15,840.00. \$15,840.00 in interest that you have just flushed the drain. This however, is only the beginning.

When you use credit, it's easy to overspend because no money actually changes hands, and you don't really feel the effects of spending. It's tempting to spend more freely with a credit card since you're not actually sacrificing any of your hard-earned cash at that moment. If you constantly carry a balance on your credit cards and your interest rates are high, you may end up paying the credit card companies two or three times the amount of what you purchased. If you only make the minimum payments, the amount you repay could be even higher and it may take years for you to get out of debt, if at all. You can't keep up with your debts if you begin making your payment late, over 30 days and again your score is affected. How much, is determined by the number of times you are late and how often.

### How can you avoid the Holiday Spending Headache?



1. Make a budget for every person on your gift list, stick to it and keep track of your spending

Your family will understand if you spend less if your goal is to save for a home

2. If you choose to open a new credit card don't max it out. Don't use more than 30% of the limit you have been given.

(This can have a positive effect on your credit) Then, it will be easier to manage.

3. Pay your balances. Avoid paying high interest rates by paying your balance off within the first 30 days of your billing cycle.

Rather than paying interest rate you could be saving the money for the purchase of your new home.

Merry Christmas and Happy Holidays to everyone. Check out my new Facebook page at [AskSandra@homeloansbysandra.s](https://www.facebook.com/AskSandra@homeloansbysandra.s) for more information.