How do I get a good credit rating? A credit rating, or “credit worthiness,” measures your ability to repay a debt. This can be established by a past record of completing payments or by showing a regular salary or other source of money. You can also get a good credit rating by maintaining a savings account, showing uninterrupted employment, and using, and timely paying on, credit cards.

How do I know what my credit rating is? The Fair Credit Reporting Act guarantees you access to a free credit report from each consumer reporting agency that compiles and maintains files on consumers on a nationwide every twelve months.

How long does it take to clear up a bad credit report? There are multiple time periods for how long negative events stay on one’s credit report. Generally, bankruptcy, judgements, collections (including unpaid student loans). And unpaid tax liens/judgments can last for 10 years, 7 years, and 15 years respectively.

What is collateral? Collateral is anything that has value that can be given as security for a loan. The lender wants to identify property that has a value at least equal to the amount of the loan so that the property can be used to pay back the debt if you are unable to repay the loan.
What if I buy a TV or stereo on installments and have a problem getting it fixed? If the store refuses to fix the set, can I refuse to make payments?

In most cases, it is not wise to discontinue payments, since the seller will claim that you are in default on your obligations. In general, you may stop making payments if the selling merchant financed your purchase himself, and if you validly revoke your acceptance by notifying the seller of the reason for revocation and returning or offering to return the goods. To use this remedy, however, the non-conformity of the goods (i.e. broken TV set), at the time of purchase, must be such that its value to you is substantially impaired and the non-conformity complained of was not caused by you. On the other hand if the seller sold your promissory note to another party, your payments would most likely have to continue, although the holder of your consumer note may also be subject to a revocation, repair or replacement action. Note that in some instances a seller has a right to repair the set if defective under consumer warranties. In such cases, you may not revoke your acceptance and discontinue making payments.

If I buy something with a high interest rate loan and later have money to pay off the loan, must I pay the entire amount of interest, which would have been due over the term of the original contract? No. Generally a consumer has a right to prepay a
loan at any time without penalty. It is important to follow the
general rules given in the contracts section of this book prior to
signing. You should read and understand all provisions of a con-
tract and check to see if it has a prepayment penalty provision.

Can a purchase contract say that if I do not pay, the store can
automatically get its money from my wages? No. The Texas Con-
stitution, except for the enforcement of court-ordered child sup-
port payments, prohibits garnishment of wages due for personal
services. However, once a payroll check is deposited into a debtor’s bank account, the proceeds may be subject to garnishment.

Can the purchase contract say that if I default, I agree to assign
my wages to the store? No. In Texas, no retail installment con-
tract or retail charge agreement can include an assignment of
wages. This is generally true of all consumer credit loans as well.

Can a lender have different rules for making loans to women
than to men? No. It is unlawful for any creditor to discriminate
against any applicant because of race, religion, gender, marital
status or age. Lenders may only make distinctions based on the
applicant’s credit worthiness. A married person who does not
have an outside job might have problems obtaining a loan unless
that person has sufficient collateral to provide as security for the
loan. If the person’s spouse has an established credit rating, the
spouse could guarantee the loan or provide other security, which
would support the loan.