tional payments every month to pay off the statement balance.

2) Agree to limits.
Know when you're getting OUT before you get in. For a loan, aim for three years or less. If that's not practical, make it clear you'll act as a co-signer for just three years; then revisit the credit union to renegotiate the loan without your signature.

For a credit card, start with a low limit. Since debit cards are widely accepted, there's little need for a $5,000 credit limit. A thousand dollars, even $500, might be a good place to start. As a co-signing parent, you'll be notified of a request to raise the credit limit. And once your son or daughter reaches age 21, visit the credit union to remove your name from the account.

3) Share payment notifications.
As a co-signer, you have the right to see statements and payment notifications. The easiest way may be through shared online access. This gives you the opportunity to step in before an accidentally missed payment turns into a past-due problem.

Avoid the temptation, however, to criticize credit card purchases. Yes, $165 for a new black North Face jacket is not practical when there's a perfectly good brown one in the closet, but making mistakes is part of the process of learning to manage money. The borrower will see how paying off that new jacket means taking on a couple of extra shifts or staying in when friends go out the next few weeks.

By following these tips, you lay out your expectations before co-signing. Being frank will help protect your financial standing and also your personal relationship with the borrower.

Be sure to consult with someone at the credit union if you have any questions or concerns.

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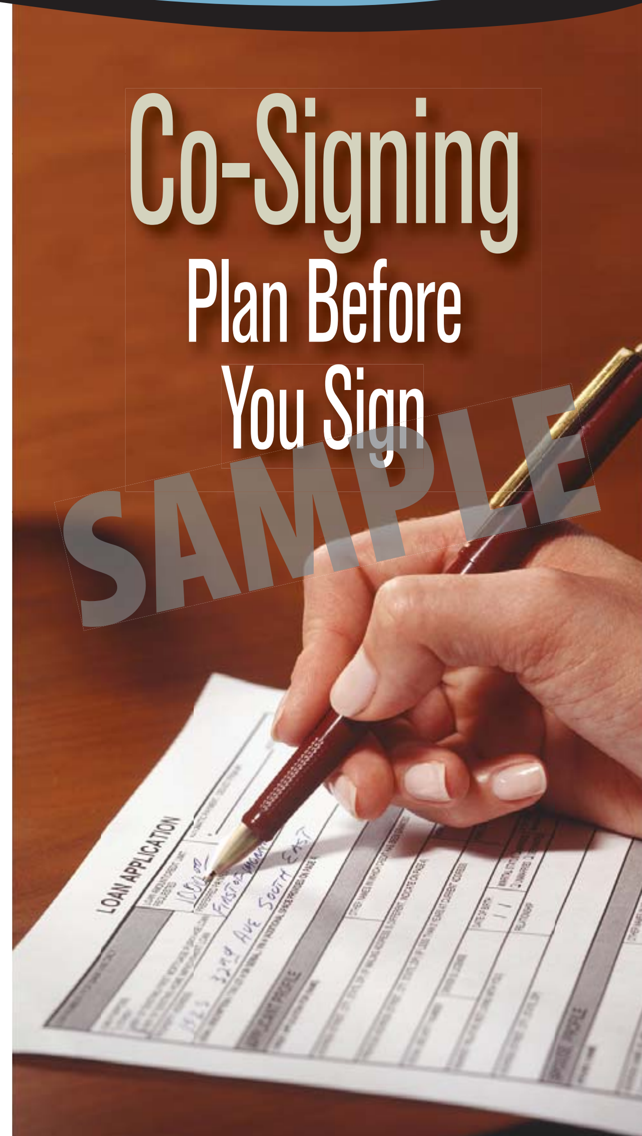
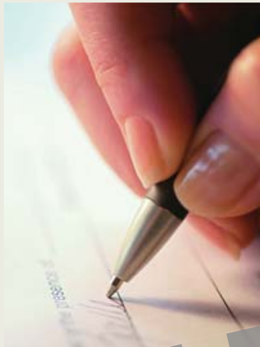
Co-Signing
Plan Before You Sign



In plain English—when you co-sign, you are legally responsible for repayment of the debt.



As a co-signer on a loan or credit card application, you are lending your good name and your solid credit history. You also make a promise to repay in full if the original borrower can't, doesn't, or just plain won't.

The impact of co-signing can go further:

• **Your credit score may change.** The amount of the debt and any missed payments become part of your own credit history. A lower score might hurt you in applying for a future loan, resulting in a higher rate or even possibly rejection.

• **If the borrower defaults, collectors may come to you for payment.** Take, for example, a car loan where the borrower defaults. Even if the car is repossessed, you may have to pay if its value is not enough to cover the outstanding balance.

Those two considerations could scare off just about anyone from co-signing on a loan or credit card. So why would you consider co-signing?

CO-SIGNERS CAN HELP YOUNG FAMILY MEMBERS

If you have a solid credit history and a strong credit score, your additional signature on a loan could lower the rate. Young adults often have little or no credit history. Applying on their own, they may face higher rates (to cover risk) or be turned down entirely.

Say your 22-year-old daughter Ilana is ready to buy a car. She has a steady job and can handle the payments, insurance, and upkeep—but she has no credit history. You think she's responsible enough to handle this obligation, but to a lender she's an unknown and may be offered the loan at a higher rate to compensate for the risk. By co-signing, your strong credit score could lower that rate.

Your signature may be the only way for someone younger than 21 to get a credit card. Federal rules that took effect in February 2010 absolutely require anyone younger than 21 years old who wants to open a credit card account to show ability to make the required payments.

Let's imagine your son Max is headed to college. Even with $4,500 on deposit in his savings account, a lender will likely ask for a co-signer on a credit card application. When you co-sign his application, you help Max establish a credit history, and you have the opportunity to coach him toward responsible money management.

REPORT VS. SCORE

Your **credit report** lists outstanding loans, debt payment history, and credit limits—plus employment, bankruptcy, and credit inquiries. Get free reports from *www.annualcreditreport.com.*

Your **credit score** is a three-digit number based on a credit report that reflects how well or poorly you've been using credit.

FOLLOW THESE THREE TIPS TO MAKE CO-SIGNING SUCCESSFUL

1) **Set-up automatic payments.** The best way to build a strong credit history is to make EVERY payment on time. Before you co-sign for a loan, insist on establishing automatic monthly payments from a credit union account.

This action protects your credit history and helps the borrower build one. The No. 1 factor in calculating a credit score is payment history, according to the Fair Isaac Corporation, creator of the widely-used FICO score.

If you're co-signing for a credit card, consider automatic payments to cover 5% or more of the card limit ($25 on a $500 limit). This protects you both against a missed payment, which may alter the rate. The borrower can make addi-