

JOB SEARCH

How to Conserve Credit for a Job Search

Leave room on your cards for the expenses you encounter en route to your next job.

By John Hazard



DURING A LAYOFF, ACCESS TO CREDIT can be your lifeline to keeping the lights on, but it's also crucial to getting your next job. There is no way around it: Looking for a job costs money.

BillShrink.com, a bill-management software maker based in Redwood City, Calif., recently researched the cost of the typical six-month job search for residents in Los Angeles County. While the prices are not transferable nationwide, the items are.

- **Gas:** \$500 (based on an average commute of 33 miles to an interview once a week for six months — based on statistics from the U.S. Census Bureau)
- **Clothing:** \$775 clothing (one suit, one shirt/blouse, one tie and one pair of shoes)
- **Haircut:** \$50 haircut(s)

- **Phone:** \$780 phone costs (\$130 monthly phone bill for six months)
- **TheLadders.com:** \$120 (a six month subscription)
- **TOTAL:** \$2,225

Keeping some room on your credit may give you the breathing room you need to keep looking for a job.

Macroeconomic factors and your own income may collude to lower your available credit. TheLadders interviewed nearly a dozen credit-card experts to offer tactical measures you can take to keep your credit limits high to help you get your next job. Some of the advice is contrary to the practices of good credit management and may ultimately harm your FICO scores and long-term debt profile, but if you are in a bind, you need to pay the bills. ■

How to keep your credit limits high: Tips from experts

1. Keep your credit score high.

This is obvious advice, but a good credit score is the single most important factor in maintaining a high credit limit. If other forces are outside your control, this one is in your hands. Paying your bills on time and keeping your debt balances low is a key to maintaining a high credit rating. Single late payments might have been forgiven in the past, but no longer. — *Emily Peters, personal finance expert for Credit.com*

2. Keep your cards.

Don't close your accounts. Your FICO score is largely based on the ratio of total balances versus total available credit. Closing one card will lower your available credit making your balance to limit ratio higher. Therefore it's very likely your FICO score will drop and your other

cards may lower your limit. — *Marc Chase, founder of My Credit Group*

3. Use your cards.

Keep your cards active. If you're not using your card, the company isn't making any money off your account. Banks are lowering limits and closing accounts that are underutilized. — *Schmark Satyolu, co-founder of BillShrink.com*

4. Know your limits.

Find out what your limits are. Credit-card providers are not obligated to give you warning before changing your account. Your limit may have been adjusted without your knowledge. Most cards allow you to monitor and track your balance online and set alerts if the situation changes. — *Ken Lin, CEO of Credit Karma*

5. Carry a balance.

It sounds like bad financial advice to pay interest if you don't have to, but issuers don't make money unless you're carrying a balance month to month. In the current situation, it might make sense to carry a larger balance to stay on the provider's good side. In typical eras, good practice is to keep balances under 30 percent to 40 percent of available credit to maintain a good FICO score, but to stay in the good graces of the credit-card companies, a user would be well-advised to use more of her credit. The higher balance may motivate the bank to keep your limit high, which could outweigh any negative impact on your FICO score. — *Schmark Satyvolu*

6. Pay enough.

While you want to be carrying the balance, you don't want to be paying the minimum. Most card providers have established profiles for users who pay only the minimum. Such a pattern establishes you as only slightly more desirable than a user who pays late or misses payments. — *Steve Conover, The Credit Guru, and Schmark Satyvolu, co-founder of BillShrink.com*

7. Know your providers' practices.

Most companies report to the credit bureaus only once a month on a regular schedule. Knowing what day they report your card activity can give you the flexibility to maintain a high balance, which can make you a more profitable customer for the provider and still pay down your balance by the date the data is reported to the credit bureaus. — *Marc Chase*

8. Get more credit.

If your credit score is still high, if you're still employed but worried you won't be, or if you just want to have more credit available, you need to act while you have the chance. Ask your card providers for higher limits, and apply for new cards. Each new credit application dents your credit score, so try to stick with current providers; but if you're preparing for a long winter of unemployment, use every resource and get a new card or two. — *Emily Peters and Schmark Satyvolu*

9. Choose your cards.

Few people were aware until recently that card providers were profiling your credit risk based on your spending behavior, but American Express and others have been doing it for years. If you have a card associated with high-income membership, don't use it at discount retail stores. They will consider that a deviation from their standard profile, and they may lower your limit.

Keeping an assortment of cards to use at different vendors and stores can help avoid sending up red flags. — *Schmark Satyvolu*

10. Don't move balances.

Trying to move balances from one card to another won't improve your overall FICO score or your standing with providers. Only move balances between cards if you believe you can obtain more beneficial rates and understand all the fine print that comes with balance transfers. — *Emily Peters*

11. More than FICO.

Card providers weigh factors such as unemployment payments when considering your credit. Before you decide to apply for unemployment, consider whether the amount of money you might receive from unemployment outweighs the ding accepting it might have on your access to credit. It also might be wise to take on part-time work to keep money coming in and credit limits high. — *Schmark Satyvolu*

12. Right-sized cards.

Ensure that you are using the right cards. Certain cards have nice benefits but are not meant to carry significant debt loads. You may not need the card that earns you airline miles if you're no longer traveling regularly for work. Another card may offer no rewards but will allow you to carry a larger balance. If you want to obtain new cards, consider it early in your layoff or while you're still employed. — *Schmark Satyvolu*

13. Consider your rewards.

Specific rewards cards offer better value than cash-back cards. If you know you frequently require certain products or services, such as hotel points, you will get better value earning points toward that service than applying cash-back rewards to that purchase. If your needs are more general, rewards are wasted, and cash back is a better option. Applying rewards will help keep your spending down and preserve your balance. — *Schmark Satyvolu*

14. Find off-card debt.

Your credit-card debt may impair your ability to get a home-equity loan; by comparison, your home-equity line will cause you fewer problems getting and keeping high limits on a card. Lenders and card providers consider home-equity and other lines of credit less risky than credit-card debt, so seek avenues of debt besides your card or use those lines of credit to help pay your credit-card bills. — *Schmark Satyvolu*