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**Credit Analyst Warns of Trap for Credit Card Customers**

**DALLAS, Jan. 7 /PRNewswire/ --** "Many people will have their credit scores lowered this year if they're not watchful, know what to do and take action," said Eddie Johansson, president of **Credit Security Group**, a leading nationwide credit score analysis and rescoring firm.

Credit scores are used by lenders to determine credit risk. Lower scores result in loss of credit and higher interest rates. Financial analysts predict cuts up to \$2 trillion in credit card account lines over the next 18 months.

"This will have very bad consequences for consumers who are not prepared," said Johansson, speaking recently about credit scores at the Texas Bankers Association's Financial Literacy Summit.

Analysts predict many card companies will be canceling unused cards and lowering limits this year. According to Johansson, "This is how the trap will be set: you have a \$4,000 balance on a card that the company lowers your limit from \$10,000 to \$5000. You don't know it, but your credit score has just taken a hit -- and it's only beginning." Johansson says credit companies constantly monitor your credit score, which causes the trap to spring.

"Another company lowers your limit and increases your interest rate, 'due to decreased credit score.' This lowers your credit score further. Another company cancels an unused card. The cycle snowballs with other cards, and then the same ones over again. If you are planning a major credit move -- say, refinancing your house for lower rates, your lower credit score hurts your chances of refinancing and greatly increases the interest rate offered."

Johansson points out that the consumer here has done nothing different, hasn't gone into more debt, hasn't missed any payments. Yet, his rates have gone up and his ability to use credit has been damaged -- while he was unaware. And once ensnared it's difficult to get out. "This is why it's a trap," Johansson said.

"You can prevent this from happening to you," he said, "if you know how."

"The critical piece of this trap is your credit score," said Johansson. "It's what keeps the snowball rolling. Your credit score is also the sole measure used to determine your credit risk and interest rates in the future. You should carefully guard it as it comes under attack this year," he said.

With the amount of credit reduction projected, almost everyone will lose some credit availability, Johansson said. "You can't control credit card companies reducing the amount of credit in the system, but you can make sure it does not hurt your credit score - and this is critical to maintaining your ability to manage your finances in addition to saving you thousands of dollars in fees and interest payments."

Johansson gives specific advice on what to do. The key is in your credit scores -- knowing how the scoring system works and how to avoid hits to your score. In brief, the steps are:

- 1) Keep your balances low on existing cards.
- 2) Remember it's the balance/limit ratio that counts -- not the balance amount. If a credit card company lowers your limit, immediately lower your balance if necessary to stay under eight percent. Try to keep all cards under the eight percent guideline.
- 3) Charge small amounts on your old, unused credit cards. This makes them active which increases the limit portion of your balance/limit ratio.
- 4) Avoid opening new lines of credit if at all possible. Use new credit sparingly and for your best advantage.
- 5) Don't price-shop where the seller pulls your credit score. This includes homes and cars among other products and services. If you're not sure, make sure -- tell them not to pull your credit report.
- 6) Whatever it takes, avoid any negative events on your credit report.
- 7) Monitor your credit reports; be alert for any changes. Correct inaccurate information in your report, or hire a professional to do so. Besides keeping your score from decreasing, many people increase their scores by correcting their data at the credit bureaus.

More detailed information on these steps and what to do can be found at the **Credit Security Group** web site, <http://www.CreditSecurityGroup.com>.

Johansson said that consumers' lack of knowledge about the credit systems is especially costly to them in these times and there is a great deal of misinformation. "Common sense and credit sense are not the same thing."

**About Credit Security Group**

**Credit Security Group** serves consumers and lending organizations nationwide and advises major banks and mortgage lenders and their clients on how the system works and how to improve credit scores. CSG President Eddie Johansson has appeared on television and radio programs as the consumer credit score expert.

<http://www.CreditSecurityGroup.com>

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Eddie Johansson

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