

Q ■ What if I get a cosigner on a loan?

A. Having a cosigner can make the difference between getting a low interest rate or a high interest rate (or even getting a loan at all!) if your own credit is bad. However, you run the risk of damaging your cosigner's credit if you fail to make the payments on time.

ACTION ITEMS:

1. By getting someone to cosign a loan for you, you are essentially "borrowing" his or her good credit to supplement yours. Therefore you may qualify for a bigger loan, a lower interest rate and/or more flexible terms.
2. Don't let anything keep you from making those payments on time in order to preserve your cosigner's good credit. If you don't make the payments, the lender will go after the cosigner for payment. And if you are ever late making your payments, it will have a negative impact on both of your credit reports – yours and your cosigner's.
3. If someone asks **you** to cosign for a loan, remember that your credit is on the line! Also, even if the borrower makes all payments on time, your ability to get new credit (such as a car loan or mortgage) may be impacted. The loan that you cosigned counts towards the total amount of debt a lender will allow you to have based on your income, so be sure to consider this before you sign.

