

Does Credit History Matter After 50?

It depends. There are times you shouldn't worry too much about your credit rating

By Lynnette Khalfani-Cox

Having good credit is often important in today's society. But what if you're past age 50 and you've already established yourself? Does your credit standing still matter if you don't need car or student loans, a mortgage or additional credit cards?

Most financial pros say good credit matters at any age. "You never know when the unexpected may happen in your family," warns Joe Dellutri, a certified financial planner and retirement counselor with T. Rowe Price. You may have to go back to work, help out a child or cosign a loan. These would all trigger credit inquiries.

But some say there are times when you shouldn't worry too much about blemishes to your rating — or even something as major as a foreclosure.

Personal responsibility

Many Americans — especially older ones — want to keep their credit ratings strong. Often it's not about dollars and cents so much as feelings of personal responsibility.

Jean Dorrell, a certified financial planner and head of Senior Financial Security, recalls a 66-year-old client whose husband died suddenly of cancer. "Then her dog died, she got breast cancer, both of her parents got sick, and her 87-year-old mom came to live with her," says Dorrell. "And all of this happened in just one year."

Under stress, the woman bought an expensive home that she couldn't afford. When she couldn't make her payments, she began contemplating stopping them but staying in the house pending foreclosure, but she was inclined against it because it would damage her perfect credit.

She also felt a moral responsibility to repay her debts. "She said, 'I'd feel like I'm cheating someone,'" Dorrell says.

Debt settlement misgivings

I met someone with similar apprehensions at the 2011 AARP Member Event in Los Angeles, a retired teacher struggling with \$19,000 in credit card debt.

She told me she desperately wanted to be rid of those bills, but didn't want to file for bankruptcy protection or do anything to ruin her credit.

She'd been counseled by a financial services representative to try debt settlement, a process in which you don't pay your bills for three to six months, and then try to negotiate a lump sum settlement with creditors, hopefully for pennies on the dollar.

When I advised the woman against debt settlement, she was relieved, even though it meant she'd still have debt.

"I haven't missed a payment in more than 20 years," she told me. She was reluctant to start now.

In Dorrell's view, if you're over age 50 and you "have enough savings and wouldn't need a credit card to deal with an emergency," you don't need to worry too much about your credit. And if you miss bills, there are some circumstances in which you'll normally feel no impact on your score.



For example, if you have large medical bills that you simply can't pay, Dorrell says, "I wouldn't worry about that one bit. Those are not going to affect your credit rating." That's because medical bills aren't reported on your reports at the three major credit bureaus: TransUnion, Experian and Equifax.

Still, if an aggressive hospital or physician turns your medical account over to collections and gets a court judgment against you, then that public record would wind up on your credit report.

So the best way to proceed if you have large medical bills is to try to work out a monthly repayment plan. If negotiating a deal is too stressful for you, or if you find it difficult to make sense out of a mountain of hospital bills, you can also try enlisting the help of organizations such as the Access Project or Medical Billing Advocates of America.

They offer free and low-cost programs that guide you through the maze of negotiating with insurance companies,



medical providers and public programs to resolve your medical debt.

Don't stress unnecessarily

Even in seemingly disastrous scenarios — such as foreclosure — the damage to your credit rating may not be as long-lasting as you think.

Jon Maddux, CEO of YouWalkAway.com, which helps people considering strategic defaults of their mortgages, dismisses some common advice from planners. Claims such as "foreclosure will destroy or decimate your credit" are scare tactics, he says, and simply aren't true.

"Due to the nature of how credit scoring works, I prefer to describe the effects of foreclosure as wounding one's credit. The wounds will heal as long as the borrower continues to keep other lines of credit current," Maddux says.

Clients of YouWalkAway.com who've gone through foreclosure and short sales, he says, typically see their credit scores rebound in a year or so to previous levels — providing they manage all other credit wisely.

"Paying all other bills on time and paying off your credit card each month are all important steps to take toward rebuilding your credit after defaulting on your mortgage," Maddux says.

A 2011 study by TransUnion, "Life After Foreclosure and Hidden Opportunities," supports Maddux's assertion. TransUnion looked at people it classified as "mortgage only" defaulters and found that, over a 12- to 17-month period, their scores "tend to 'rebound' faster than for those with multiple delinquencies."

Still, no one is suggesting that foreclosure won't have a significant impact on your credit rating. It will. But the extent of the damage, experts say, will largely depend on where your credit score was prior to foreclosure, and how you handle other bills.

Officials from FICO, the credit-scoring company, say that a foreclosure usually initially lowers a person's credit score by 85 to 160 points. The better your credit score to begin with, the larger the impact.

