# 49. Joint Credit

**OBJECTIVE:** Participants will identify and define various forms of account ownership for credit cards and the risks and responsibilities associated with each. Participants will then assess these forms of ownership for their own families.

**TIME:** 35 minutes, including 10 minutes of presentation, 15 minutes for small groups to complete case study exercises, and 10 minutes for sharing with the larger group.

**MATERIALS:**

*Joint Credit: What Is It?* Handout

*Joint Credit: What are its Risks and Responsibilities?* Handout

Joint Credit Activity Worksheet

**TALKING POINTS:**

Because families share debts, it is important to know about the different types of credit card/debt ownership and what the risks and responsibilities are for each. This exercise provides an overview of the different forms of account ownership for credit cards and other loans as well as some risks/responsibilities associated with each.

**ACTIVITY:**

Pass out the two information handouts on Joint Credit, and review the information provided with the entire class.

Divide the class into small groups, grouping couples and/or families together where possible. Hand out the *Joint Credit Activity* worksheet and give the class 10 minutes to finish the exercise. While couples are working together, float around and offer assistance, if requested.

When the group work is completed, ask each group to report its conclusions.

**GROUP DISCUSSION:**

If you were giving advice to a couple who is weighing this decision, what questions would you ask them? What advice would you give them? What tips do you have to help a family think this through together?

Apply these questions to your real-life situations. Would you continue to have the same credit card ownership structure or would you change it?

## FORMS OF CREDIT CARD ACCOUNT OWNERSHIP

**Individual:** This means there is only one owner of the account, who is the person whose name is on the account; only this person's signature can authorize the use of the credit card. Spouses do not have the authority to the use a card that is individually owned.

**Authorized User:** There is a named owner ("borrower") for the account and also a person who is allowed to use the credit card and authorize charges. The authorized user might have his or her own card to use, but this user is NEVER liable legally for any debts on the account. The borrower ALWAYS is liable. Anyone can be named as an authorized user—spouses, children, parents, or friends.

**Co-signer:** There is a named borrower on the account, who gets the card in his or her name and also gets the monthly statements. There is another person who has agreed to COVER the outstanding debts in the event of non payment. A co-signer usually does not use this credit card or receive regular information about its use, but a co-signer is legally responsible for paying the debt as if it were his/her own if the named borrower fails to make payments fully and on time. Credit card companies can collect the debts from a co-signer just as they would from the borrower directly (i.e., they can sue the co-signer and even garnish his or her wages).

**Joint:** There are two named borrowers on the account. Usually both have cards with their names on it, and both can use the credit and get monthly account statements. Both are also legally responsible for the debt and can be pursued for collection. The credit history of both borrowers was used to determine eligibility for credit. Spouses most often use this form of ownership; both their credit histories and income are used to qualify for the card.

**Assessing RISK for Account Ownership**

Whenever two people share credit cards, they are sharing a greater risk for their financial future. Remember that sharing ownership means that someone else's behavior with credit cards can affect you (positively or negatively). Specifically, it may affect one or more of the following areas:

- **Your credit report or credit history:**

**EXAMPLE:** You have named your child as an authorized user on your credit card account, and she charges $2,000 on the account while on a spending spree. While you may be making sure she pays it back, the credit card company sees you as responsible and will expect you to make payments on time for the debt. The amount of this debt and your history of paying on it will show up on your credit report.

- **Your ability to maintain a good credit history:**

**EXAMPLE:** You open joint accounts with your boyfriend while you are living together. You break up unexpectedly; your "ex" charges a trip to Hawaii on the joint credit card and then stops paying the bill. The creditor is calling you for payment and tells you that the late payments and high credit charges will be reflected on your credit report.

- **The amount of debt you potentially owe (affecting future creditors' decisions):**

**EXAMPLE**: You apply for a loan for your small business and are told by the loan officer that you cannot afford the size of loan you requested because your credit report shows an outstanding credit card bill. You learn that this is not your debt but your sister's. Two years ago, you co-signed on her credit card; she used it well initially but recently did not pay the bill. Now the creditor is calling and writing you for payment.

- **The amount of debt you actually owe (which means an additional monthly bill):**

**EXAMPLE:** Your brother is unemployed and struggling to pay his rent, so you know that he will not repay his credit card debt. You negotiate payments with the creditor and add them to your monthly budget. You have to delay your loan application for a few months until this debt is paid off, and you have to cut your own expenses to afford this new monthly bill.

Brainstorm the various advantages and risks for you in using these different types of account ownership for credit cards.  As you brainstorm, write down the advantages and risks from the point of view of both people.

| Ownership Type | Advantages | Risks |
|---|---|---|
| Each spouse has an individually owned credit card account. | | |
| One spouse is named as an authorized user on the other spouse's account. | | |
| One spouse has an individually owned credit card and co-signs for the other spouse's credit card. | | |
| The couple has a joint credit card account. | | |