
TO CO-SIGN OR NOT TO CO-SIGN

That's the question and the answer is pretty straight forward: DO NOT CO-SIGN! When people ask you to co-sign for them it's generally because they do not have a credit history or they do not qualify for the credit they are seeking because of their credit history. If a major creditor, that has deeper pockets than you do, is not willing to take on the risk of granting this individual credit, you probably shouldn't either.

When you co-sign, not only are you risking having to make payments on the loan, you are risking your own credit rating. For example, if the payments are made late this could go on your credit report. If a judgment is made against this loan, that could go on your credit report. A lower credit rating for you means that you also risk difficulty getting your own loan or you'll end up paying higher interest rates on loans or credit cards that you seek. Keep in mind, that by co-signing, you are not only agreeing to be responsible for the principle of the loan; you are agreeing to the terms of the loan. This means that you could have to pay late fees, court costs, and other penalties as well.

When you are a co-signer on a loan, that loan shows up on a credit report as debt that you own. By taking on this increased debt will lower the amount of loans that you will be able to take out on your own.

Creditors and collection agencies will come after you if the debt is not paid. Avoid this hassle by just saying, "NO!"

You may have difficulty saying no to one of your children or other family members who request that you co-sign something for them. Avoid any guilt by having to say no by simply having a blanket policy that you never co-sign. By having that policy in place you will protect yourself from a credit disaster.