



PREVENTIVE LAW SERIES  
**MARRIAGE, DIVORCE,  
AND CREDIT**



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If you recently went through a divorce or are contemplating one, you may want to look closely at issues involving credit. Understanding the different kinds of credit accounts opened during a marriage may help illuminate the potential benefits and pitfalls of each. When you apply for credit, such as a charge card or mortgage loan, you will be asked to select which type of credit you prefer. There are two types of credit accounts: individual and joint. You can permit authorized persons to use either type of account.

### INDIVIDUAL AND JOINT ACCOUNTS

**Individual:** Your income, assets, and credit history are considered by the creditor. Whether you are married or single, you alone are responsible for paying off the debt. The account will appear on your credit report, and may appear on the credit report of any "authorized" user. **However, if you live in a community property state** (Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Puerto Rico, Texas, Washington, or Wisconsin), **you and your spouse may both be responsible for debts incurred during the marriage** and the individual debts of one spouse may appear on the credit report of the other.

*Advantages/Disadvantages:* If you are not employed outside the home, work part-time, or have a low-paying job, it may be difficult to demonstrate a strong financial picture without your spouse's income. But if you open an account in your name and are responsible, no one can negatively affect your credit record except you, unless you are the victim of the crime of identity theft or you specifically authorize another person, including your spouse, to have a card issued in that other person's name under your account as an authorized user.

**Joint:** Your income, financial assets, and credit history, as well as your spouse's, are considerations for a joint account. No matter who handles the household bills, you and your spouse are responsible for seeing that debts are paid. A creditor who reports the credit history of a joint account to credit bureaus **must report it in both names** (if the account was opened after June 1, 1977).

*Advantages/Disadvantages:* An application combining the financial resources of two people may present a stronger case to a creditor who is granting a loan or credit card. But because two people applied together for the credit, **each is responsible for the entire debt**. Former spouses who run up bills and don't pay them can hurt their ex-partner's credit histories on their jointly-held accounts.

### ACCOUNT "USERS"

If you open an individual account, you may authorize another person to use it. If you name your spouse as the authorized user, a creditor who reports the credit history to a credit bureau must report it in your spouse's name as well as in yours (if the account was opened after June 1, 1977). A creditor also may report the credit history in the name of any other authorized user.

*Advantages/Disadvantages:* User accounts often are opened for convenience. They benefit people who might not qualify for credit on their own, such as students or homemakers. While these people may use the account, you, not they, are contractually liable for the debt.

### IF YOU DIVORCE

If you are considering divorce or separation, pay special attention to your credit accounts. If you maintain joint accounts during this time, it's important to make regular payments so your credit record won't suffer. As long as there's an outstanding balance on a joint account, you and your spouse are responsible for it.

**If you divorce, you SHOULD close joint accounts or accounts in which your former spouse was an authorized user. Many times creditors will not allow a closure of an account until the entire balance outstanding is paid in full; as an alternative, ask the creditor to convert these accounts to individual accounts or to freeze them so that no further activity can be generated.** By law, a creditor cannot close a joint account on their own because of a change in marital status, but can do so at the request of either spouse. **A creditor, however, does not have to change joint accounts to individual accounts.** The creditor can require you to reapply for credit on an individual basis and then, based on your new application, extend or deny you credit. In the case of a mortgage or home equity loan, a lender is likely to require refinancing to remove a spouse from the obligation.

**A second important step is to obtain a print-out of the outstanding balance as close to the date of separation as possible so that you have an accurate record of the portion of the charges that are community debt for your Schedule of Assets and Debts that will be required to be completed in any Dissolution of Marriage or Action for Legal Separation.**

**It is important for you to know that you and your spouse can agree to allocate the debt between you under a Marital Settlement or a Separation Agreement but the creditor is NOT bound by that agreement. Thus if your spouse agrees to pay a particular debt but defaults, the creditor will still be able to collect that debt from you.**

## **RESOURCES**

You can file a complaint with the Federal Trade Commission by phone: 1-877-FTC-HELP (382-43570; TDD: 1-202-326-2502 or write to: Consumer Response Center, Federal Trade Commission, Washington, D.C. 20580. Though the Commission cannot resolve individual problems for consumers, it can act against a company if it sees a pattern of possible violations of the law.

The FTC publishes free brochures on many consumer issues. For a complete list of publications, write to: Best Sellers, Consumer Response Center, Federal Trade Commission, Washington, D.C. 20580; or call (877) FTC-HELP (382-4357); TDD: 1-202-326-2502, or go to [www.ftc.gov](http://www.ftc.gov).