



Celebrities Who Can't Get a credit card

Published May 09, 2011 | CardRatings.com

Two Bahamian islands, 13-plus mansions, an English castle, a German estate, more than 50 cars including a \$500,000 **Lamborghini** Miura, a Gulfstream jet, four boats, a \$276,000 dinosaur skull--these are only some of actor Nicolas Cage's extravagances. Despite earning big money--\$40 million between June of 2008 and 2009, for example--Cage's spending led to \$14 million in tax debt and **foreclosures** on four of his homes.

"Nicolas Cage is a perfect example of massive overspending," says Dara Duguay, financial literacy consultant and president of **Duguay & Associates**.

With his current financial situation, Cage's chances of getting a new credit card are as about as good as the Internal Revenue Service forgiving his debt.

Red Flags On a Credit Report

What your **credit report** reveals is the most important factor in whether or not you'll be approved for a credit card, Duguay says. Foreclosures, bankruptcies and tax liens all show up on it and are large red flags. They also radically lower your credit score, which is based

on your credit report. A low credit score typically means no credit card offer or approval. Chapter 7, or liquidation, consumer bankruptcies remain on your credit report for 10 years. Foreclosures and Chapter 13, or reorganization, bankruptcies stay for seven.

Recent celebrity bankruptcy filers are actress Kate Jackson of "Charlie's Angels" fame, actor Stephen Baldwin and Olympic gold medalist Marion Jones.

Other celebrities, like Toni Braxton, probably won't see a new Visa, **MasterCard** or **American Express** offer in the mail anytime soon. Braxton filed bankruptcy in 2010 (first in 1998), indicating \$50 million in debts compared with \$1 million to \$10 million in assets. Also last year, the IRS filed a \$396,000 tax lien against her.

Famous people who've committed financial crimes probably won't get credit cards, either. They include:

*Wesley Snipes, actor who refused to file tax returns

*Bernie Madoff, former stockbroker who defrauded investors out of billions

*Richard Hatch, reality TV star who's twice been found guilty of tax evasion

*Maria Gabriela Perez, Beverly Hills salon owner arrested in 2010 for allegedly fraudulently using several of her famous clients' credit cards.

"Time and good habits are going to be the only way to overcome" black marks on your credit report, says Eleanor Blayney, consumer advocate with the Certified Financial Planner Board of Standards.

Living Within Your Means

Your debt-to-income ratio also factors into whether you'll qualify for a new **credit card**. If you have debt but it's small compared with your income, then you're safe. If, though, your debt isn't less than or proportional to your income, you're in trouble. This is the case with

Lindsay Lohan, who, in 2010, owed \$600,000 on her credit cards and hadn't been working for some time. Some credit card companies cut her off.

The amount of money you earn isn't what's important. What matters is how you manage it.

"Most Americans are one devastating life change away from bankruptcy--a job loss, a big medical expense, an injury--lots of things could happen," says Amber Stubbs, managing editor of CardRatings.com.

If your credit report is a bit battle-scarred, the good news is that there are numerous steps you can take to rehabilitate your credit, which over time will be reflected on your credit report and boost your credit score.

These tips from our experts will help you stay comfortably in the black:

- Develop and stick to a budget.

- Only have two major credit cards.

- Only use a credit card when you have the money for the purchase.

- Don't make late credit card payments.

- Pay off your credit card balances monthly.

- Keep down your credit card and other debt.

- Build up an emergency fund that's equal to a year's income.

- Review your credit card accounts or statements monthly.

If you need any financial help at all, see a credit counselor at one of the companies listed by the **National Foundation for Credit Counseling**. Their services cost little or nothing.

"It's never too late to learn how to manage your money," Duguay says. "The sooner you start, the better."

The original article can be found at CardRatings.com:

<http://www.foxbusiness.com/personal-finance/2011/05/09/celebrities-credit-card/>

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