32 FACTS ABOUT **YOUR CREDIT SCORE**

1. The most emphasis is placed on recent information. For example, a late payment one month ago is weightier than alate payment a year ago. Therefore, time will gradually 'heal' bad credit; every month that passes helps.

2. The longer an account is open and the more payments that have been made on time, the more points you earn. Thus, taking a new auto loan (installment credit) will lower your score at first, because longevity has not been established and because the balance in proportion to the limit is high. (People buying houses should wait to take out a loan for furniture, appliances, auto, SUV, boat, Jet Ski, etc. until after their home loan is closed.)

3. Late payments and collection accounts havea major negative impact on the credit score. Collections, or charge-offs, are especially damaging. Even after a collection has been paid off with a zero balance, the fact that it is on your report will significantly lower your score for several years. ***A ten dollar late or collection last month can be more damaging than*** **a** ***three year old bankruptcy!***

4. Frequent delinquent payments are more damaging than an isolated delinquency. Also, sporadic late payments (a 30 day late last month and a 30 day late three months ago) are more damaging than successive late payments, (successive 30 day late payments are called a "rolling 30" and it counts as only one late) because of how it reflects on a person's financial habits.

5. How severely delinquent the payment was (30 days, 60 days, 90 days) affects the credit score. The more severe the delinquency, the more damaging it is to the score. (Late payments less than 30 days late are not reported.) Utility companies do not report late payments unless they go to collection. Therefore if you have to be late on something, be late with the utilities! (Be sure to make satisfactory arrangements to pay the account current.)

6. Chapter 7 and Chapter 13 bankruptcies affect your credit score equally. More points are not awarded for debt reorganization Chapter 13.

7. Having three to five open bank cards, all with low, low balances, is one way to raise your credit score. But do not close any open accounts if you have more than five accounts after they are open, unless the company terms are no longer favorable. It will reduce the amount of available credit and have a negative influence on overall debt ratios. A person who has $50,000,00 in available credit and is using $30,000.00 will have lower scores after they close several "unused" accounts and only have $40,000.00 in available credit.

8. To maintain scores over 800, having only three open accounts is the optimum number of accounts. But there are some specialized loans where one would need up to five open accounts with a reporting history of at least 24 months. Having credit scores in the mid to high 700's is considered to be superior credit, and will generally qualify the borrower for a great mortgage loan.

9. Credit balances up to or close to the limit will lower your score, even if all payments have been on time. Therefore, it is better to have several accounts with small balances than one or two accounts with large balances. (Balances should be 0% - 30% of the allowed limit for the best score.) There is a modest hit to score at a 50% balance compared to credit limit. There is a majorhitto score at a 75% or higher balance. If balances are carried for some time at 75% or higher it will be impossible to maintain scores over 700.

10. **SPECIAL NOTE!** Accounts that are "maxed out" each month, (even if they are paid off each month) will hurt a score. The system will only recognize balances ***under 30% AT THE TIME OF*** *THE CREDIT* ***PULL*** **for** ***the best score!*** The solution is to get a credit limit raised, and only borrow up to the 30% limit.

11. The proportion of your debt to your income is not counted, because it is illegal to consider income; therefore, people with high incomes who can easily afford to carry a lot of debt will be docked on their scores the same as others for having high balances and/or more than three bank card accounts.

12. Having no revolving credit accounts at all will hurt your score. Your report must contain at least one account which has been open for six months or greater. In addition the report must contain at least one account that has been updated in the past six months to ensure a basis for deterrnlninq a score.

13. When applying for a mortgage loan, mortgage payment history is considered far more important than credit cards or installment loans.

14. Credit card payment history (revolving credit) is more important than installment loans. Therefore, it is better to pay down credit cards before paying down installment or auto loans.

15. Having a finance company loan on your credit report will lower your credit score. Having two financecompany loans is worse; having three or more is worse still. (A regular auto loan is not considered to be in this category of loan.) Beware of furniture companies, electronics companies, lumber yards and others who set up financing with a finance company. Finance company loans are designed for people who cannot get funds elsewhere, hence the expression "hard money loans."

16. Debt management companies such as Consumer Credit Counseling reported on your file may significantly lower your credit score. Some creditors will report your payments as being late the entire time you are in CCC because they do not receive full payments each month. Some lenders consider being in a debt management program like being in a self-made chapter 13 bankruptcy.

17. Repossession, including a voluntary repossession, is a major negative and will damage your credit significantly. Whose fault it was has no bearing on a credit score or in a loan approval. A mortgage foreclosure is even more credit damaging than a bankruptcy in the eyes of a mortgage lender.

18. Closing off all accounts and having no open credit will lower your score. Keep long-standing accounts open to improve your score (even with zero balance). Use revolving credit at least every six months. Don't pay cash when you can use credit. Just payoff the account each month. Carrying balances on revolving accounts does not build credit. Paying on time each month builds the credit score.

19. You can rate shop without hurting your score: All mortgage loan inquiries and all auto loan inquiries within a 14-day period are treated as one inquiry. It is assumed that you are shopping for just one mortgage or just one automobile at a time. The exception to this can occur when some of your inquiries are before and some are after the date of the credit bureaus' monthly update. (Usually around the third week of the month). Most updates occur starting the 24th or the ZS" of the month.

20. Multiple inquires from credit card companies (revolving credit) will lower your score. A person may be looking to open several lines of credit and significantly increase their debt. The trap is "apply for an account and get 20% off your purchase." Yes you got a "deal" and you "dinged" your credit at the same time! Three in a month will burn your score!

21. Age is not a factor in credit approval; however, length of time that credit is held is a factor. Therefore, maintain your accounts for a long period of time. Be sure to use the account occasionally. Never close an account, unless the terms are unbearable.

22. Rent does not appear on your credit report. However, when you apply for a mortgage, the lender will request a verification of your rent payment history and consider it heavily in the decision to grant a loan. Therefore, paying rent on time is extremely important when applying for a home loan. It is very important to keep all of your payment records for at least two years. Sometimes cancelled checks are the only recourse!

23. Length of time from the last delinquent payment, paid off collection, discharged bankruptcy, or other negative report is a factor, so the more time you have been building good credit since then, the better your score will be. An account is damaged by misuse of credit. Proper use of credit is the only way to improve the credit score. You fell "off the horse", get right back on!)

24. "Credit surfing" or paying off one credit card with another and then another in a rotating fashion, does not look good. It hurts your score because of multiple revolving account inquiries and the short length of time the accounts are open.

25. You may request a copy of your own credit report from a credit bureau without it affecting your score.

26. Credit card companies and insurance companies sometimes look at credit files to determine who to mail solicitations to. This does not affect your credit score. However, you may request to be excluded from these solicitations.

27. Everyone has their own individual score. Married persons do not share a score. Therefore, everyone needs to have some credit established in their own name and be responsible for the management of their own credit. (Credit accounts may be held jointly in both names or individually). It is possible to be only an "authorized user" on an account. *This type of account can be excluded from the debt ratio* (a *help!) This can hurt the borrower if they need an extra credit line* (a *negative!)*

28. Having several names and addresses for yourself on a credit report will lower your score. This would apply to people who have moved a lot within the past seven years and people who have credit in multiple names such as: Bob Jones, Robert E. Jones, R. Edward Jones, Bobby Jones; or Joanne Smith, Jo Smith, Joan Smith, Joanne K. Smith, Joanne Kathleen Smith, J. Kathleen Smith, Joanne Martin (Maiden name);. If you clear off all the names and addresses except one, your score could go up 20-30 points instantly!

29. Late payments and collections may remain on a credit report for seven years. Bankruptcies may remain on a credit report for up to ten years. Unpaid tax liens and unpaid civil judgments can remain indefinitely. *Pay contested accounts current, and then fight* to receive a refund. If you are correct the money will be credited back to you. If you are not correct your credit will be severely damaged during the time of your protest, because your balance due was pending payment.

30. Although profession does not affect your credit score, some institutions disfavor certain ones because of their experiences in the past with late payments. Occupations in disfavor are those, which have unstable income, periods of no income, seasonal work, and frequent job changes. In addition, some lenders charge an extra fee to self-employed borrowers, because self-employment carries a higher risk factor.

31. When first establishing credit It is easier to open department store cards or gasoline cards than it is to open a bank card. Make sure the new card company reports to a credit bureau!

32. Consider taking out a small personal loan at-a bank and deposit the money into a savings account at the same bank as collateral for the loan to help get credit established. The account needs to report for at least six months to be effective. Be sure that the loan is with a "reporting" bank. It is no help to have a loan with a bank that doesn't report to a bureau!

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