

1. FICO scores range from 350-850. In the thousands of credit reports I've seen, there have only been a few with scores under 400 and only about 20 with scores over 800. If your FICO scores are above 720, your credit is excellent and there's nothing to worry about. If your scores are 680+ then you won't have a problem getting most loans or credit cards but you could probably do a couple things to make your credit better. If your credit is 640-680, you could definitely improve but you can still get good A paper loans usually. Credit scores from 585-640, probably have a couple late pays or collections, and you need to work on cleaning up your credit. You can still get good rates but not as good as if your credit was a little better. A score below 585 has either multiple collections and/or multiple late pays. It will be difficult to obtain financing, and if you do, the rate and terms of the loan will not be the best.
2. The longer an account is open and the more payments that have been made on time, the more credit score points you'll 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 original balance is high. If nothing else changes on your credit, then your score will bounce back to where it was within a few months. (People buying houses should wait to take out a loan for furniture, appliances, auto, SUV, boat, Jet Ski, etc. until after their home loan has closed.)
3. The most emphasis is placed on recent information. For example, a late payment one month ago is weightier than a late payment a year ago. Therefore, time will gradually 'heal' bad credit. Late payments and collection accounts have a 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 a few years. *A \$10 collection last month is 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, 60, 90 days) affects the credit score. The more severe the delinquency, the more damaging it is to the score. (Creditors should only report late pays that are more than 30 days late.) Utility companies in the St. Louis area do not currently report late payments unless they go to collection but in Illinois, AmerenIP (formerly Illinois Power) reports to the credit bureaus on a monthly basis. Therefore, if you have to be late on something, be late with something that won't report you to the credit bureaus! (Be sure to make satisfactory arrangements to pay the account current as quickly as possible, so it doesn't end up as a collection.)
6. Chapter 7 and Chapter 13 bankruptcies affect your credit score equally. A Chapter 13 can actually hurt your credit for a longer period of time since the discharge of the bankruptcy doesn't report until you make your last payment 3-5 years from the time of filing. Many times Consumer Credit Counseling is a better solution than a Chapter 13 Bankruptcy.
7. Having more than three open credit cards lowers your score. Having less than three bank cards will not give you as high of a score as having three. Therefore, three open bank cards, all with low balances, is one way to raise your score. **But** do not close any open accounts after they are open, unless the company terms are no longer favorable. By closing an account, 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. 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 your score at a 50% balance compared to credit limit. There is a major hit to 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.
9. **SPECIAL NOTE!** Accounts that are "maxed out" each month, (even if they are paid in full 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!* Your creditors normally report to the credit bureaus right after your due date. Ask to have your credit limit raised in or to stay under the 30% rule.
10. The proportion of your debt to your income is not figured into your scores, because it is illegal to consider income; therefore, people with high incomes who can easily afford to carry more debt will be docked on their scores the same as others for having high balances and/or more than three bank accounts.
11. Having no revolving credit accounts at all will hurt your score. It's important to have at least 1 open credit card. Use it occasionally to keep the card open. Carrying a balance on a credit card does NOT help you build your credit any faster, it just costs you more money.
12. Your credit scores will be different if you have your credit ran by an auto lender and a mortgage lender on the same day. When applying for a mortgage loan, mortgage payment history is considered far more important than credit cards installment loans. The same is true when applying for an auto loan, more consideration is put on previous auto loans.
13. Lower balances on revolving credit (credit cards) are more important than installment loans. It is better to pay down credit cards before paying extra on installment or auto loans. Credit cards usually have higher interest rates so you would want to pay them down sooner anyway.
14. Finance company loans on your credit report will lower your credit scores. (A regular auto loan is not considered to be in this category of loan.) Beware of furniture companies, electronics companies, lumber yards, payday loans, high interest rate installment loans from retail operations and others who set up financing with a finance company. Zero % loans are usually held by finance companies. Finance company loans were originally designed for people who could not get financing elsewhere, hence the expression "hard money loans." Those "no payment furniture loans" will hurt your credit scores because the balance will not go down on the loan and it might be through a finance company. If you have excellent credit having one of these types of loans will not affect your credit much but if your credit is marginal then it could affect your score significantly.
15. Debt management companies such as Consumer Credit Counseling Service 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 CCCS because they do not receive full payments each month. Some lenders (usually auto lenders) consider being in a debt management program like being in a self-made Chapter 13 bankruptcy. Although it is usually better for your credit to go into a debt management program through CCCS than to file a Chapter 13 bankruptcy. CCCS is the only debt management company I would recommend. Their fees are very low and they are truly a not-for-profit agency invented to help people manage and pay back their debts at lower interest rates and no late fees/overlimit fees.
16. 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 a loan approval. If

you voluntarily give a car back it is the same thing as a repossession and you could have a significant balance still due even after the car goes back. The lender will sell the car at auction at below its retail value and you will owe the difference between the sales price and the loan amount, plus fees.

17. A mortgage foreclosure is even more credit damaging than a bankruptcy in the eyes of a mortgage lender. You can purchase a home 2 years after a bankruptcy at a very good interest rate but most mortgage loans require 4 years pass after a foreclosure.
18. Closing off all accounts and having no open credit will lower your score. Keep your long-standing accounts open to improve your score (even with zero balance). You don't have to use an account for it to help you retain or gain good credit. Use a credit card every six months to a year to be sure it stays open. In general, think of a credit card as a convenience and make sure you have the money to pay the account in full each month or don't use the card. By paying in full you don't pay any interest on most credit cards. Carrying balances on revolving accounts does not build credit any faster, it just costs you more, paying on time each month is the only way to build your credit scores.
19. You can rate shop without hurting your scores: 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 or fourth week of the month). Most updates occur starting the 24th or the 25th of the month although creditors can report any time during the month.
20. Multiple inquiries 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. Your age is not a factor in credit approval; however, the length of time that your credit is held is a factor. Therefore, maintain your accounts for long periods of time, especially revolving accounts which you could end up having for 20, 30, 40 years or more. Never close a revolving account, unless they charge an annual fee or other terms are unbearable.
22. Most property management companies don't report to your credit report, although there are a few that do. When you apply for a mortgage, the lender might request a verification of your rent payment history and consider it heavily in the decision to grant a loan. Therefore, paying your 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 way to prove on-time payment so always pay rent with checks, not cash or money orders.
23. The 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. Your credit 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! Do not fall prey to the companies that say they can fix your credit. All they do is dispute items on your credit. You can do the same thing for yourself without the fee.
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. If you do this, try to find the card that will give you the longest time at the lowest rate, when you move your money don't close the credit card unless they charge you an annual fee. I have seen people that do this successfully but they

keep all their debt on one or two credit cards and don't have a lot of other accounts open. Remember just because you're paying little or no interest, it's still debt and you need an action plan for paying the debt off as quickly as possible.

25. You may request a copy of your own credit report without it affecting your credit score. As of March 1, 2005, in the Midwest, you will be allowed one free credit report per year. To request a free copy of your credit report from all 3 credit bureaus go to: www.annualcreditreport.com or call toll-free 1-877-322-8778. If you've been denied credit in the last 60 days you can get a copy of your credit report for free directly from each of the credit bureaus that were used in the credit decision. The 3 credit bureaus are: TransUnion 800-916-8800 www.transunion.com, Experian 888-397-3742 www.experian.com, Equifax/CSC Credit Services 800-685-1111 www.equifax.com
26. When you review your credit report for errors, also check accounts that you believe are closed. Make sure the close date is accurately reflected. Any negative credit, like collections, should not report on your credit report for more than 7 years from when the collection originated. Many times collections will float around from agency to agency and will remain on your credit report for over 7 years unless you dispute it.
27. 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 through each of the credit bureaus.
28. Insurance companies are running credit to determine the risk of insuring your home or auto. If your credit is damaged you will have problems getting insured on your home or car. Currently American Family and a few other insurance companies don't run credit. Insurance companies can also run your credit when you already have insurance with them and if they see any late pays they can raise your insurance premium at your next renewal.
29. One late payment (more than 30 days late) on one credit card, can ripple through your credit cards and cause the companies to increase your interest rates even if you've had perfect payment with them. Credit card companies periodically run your credit and if they see a late payment on another card they will raise your rate on that card.
30. Everyone has their own individual score. Married people 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, which is a good way to establish credit for a spouse or child that doesn't have any credit or has damaged credit. A collection showing on one spouse's credit may not show on the other spouse's unless both were accountable for the debt.
31. 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. Good credit can remain on your report for 10 years.
32. Many collection agencies and creditors might not report when a debt/collection has been paid in full. You will need to watch your credit and dispute anything that is not 100% accurate. It is important that paid collections or other damaging accounts have proper paid dates. If you paid the account two years ago but they are still reporting then that account is still hurting your credit score severely.
33. 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 that can't prove their income and need to use stated income programs, because self-employment carries a higher risk factor. If you are self-employed and can prove your income on tax returns then your income is viewed as any other W2 employed borrower.

34. Ways to establish credit when you don't have any credit - It is easier to open department store cards or gasoline cards than it is to open a bank card (MasterCard/Visa). 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! Some credit unions do not report or only report to one of the bureaus, you want them to report to all 3 credit bureaus. The best way to establish credit is to start as an authorized user on a parent's or sibling's credit card. Most major credit card companies will report good (or bad) credit to the credit bureaus for the authorized user also. If the account has been set up for several years with no late pays the account will instantly develop good credit for the person with no credit. It will be easier to establish credit in your own name if you have good credit showing already.
35. If you run a balance on a credit card make the payment on that card as soon as you receive the bill or set it up for auto payment if you make the same payment each month. Don't wait until the due date as you will pay more in interest since interest is figured on the daily balance plus you run the risk of being late and being charged a late fee. If you're trying to eliminate the debt quickly set up auto payments to pay to the credit card twice a month on your paydays instead of saving that money in your checking account for two weeks to pay all at once.
36. In my experience, it's better to have a checking account to pay your bills than to send money orders. Money orders are difficult to track and if lost, it's your responsibility to track it down which can take a lot of time, cause a lot of frustration and cost you more money.
37. Although your FICO score is important, it's possible that it doesn't always accurately reflect your credit. The most important thing to remember is to pay your bills on time, if you get behind, just don't get 30 days behind because that's the point that it starts affecting your credit. If you have an outstanding balance that is going to turn into a collection, don't ignore it. Try to work out a payment arrangement with the original creditor. Once it goes to a collection agency it's on your credit as negative mark for the next 7 years.

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