



Get Your Credit RIGHT! Everything you need to know about obtaining and maintaining creditworthiness

Financial Literacy and Legacy Series

Learn how to improve your credit score, dispute inaccuracies on your credit report, and maintain creditworthiness.

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What is a FICO Score

Lenders use a type of credit score that makes up a substantial portion of the credit report to assess an applicant's credit risk and whether to extend a loan. You have three **FICO Scores**, one for each of the three credit bureaus - Experian, TransUnion, and Equifax. Each **score** is based on information the credit bureau keeps on file about you. FICO is an acronym for the Fair Isaac Corporation, the creator of the FICO score.

Good, Better, Best

The following table is a general rule of thumb regarding how creditors judge FICO credit scores:

Plus Score	Risk Level	Quality Rating	What This Means
330-550	Very High	Poor	Lenders are unlikely to extend new credit for you.
551-625	High	Below Average	Lenders who extend credit to you will likely attach high-interest rates.
626-699	Medium	Fair	Lenders will likely offer you average interest rates.
700-725	Low	Good	Lenders will likely offer you reasonable interest rates.
726-830	Very Low	Excellent	Lenders will likely offer you the best interest rates.

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Improving Your Credit Score

Pay all your bills on time and in full to improve your Credit Score. That's the secret!

Companies will charge you hefty fees for the chance that they might be able to improve your score for you. This is, for the most part, a waste of your time and money. Here's why:

56% of Your Credit Score is Based on Your Past

You cannot change your past. In the case of the PLUS Score (and most other scores are very similar), 56% of your score is based on events that have already occurred. You simply have to wait for any wrong choices to fall off your report and see your score recover from them. Here's a table showing when the information will fall off your Credit Report:

Issue	Stays On Report	Description
Inquiry	25 Months	An inquiry is added to your Credit Report for 25 months when you apply for a loan or credit card.
Late Payment on an Open Account	Seven Years	If you miss a payment on an account but recover and start paying on time without closing the account, the late payment will stay on your report for seven years.
Late Payment on a Closed Account	Seven Years	If you miss a payment on an account, and it gets closed without making payments again, that information will stay on your report for seven years from the day you were first reported as late.
Chapter 13 Bankruptcy	Seven Years from the Filing Date	Under Chapter 13 bankruptcy, a person repays at least a portion of their debts. Chapter 13 bankruptcy will remain in the credit report for seven years from the filing date.

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Chapter 7 Bankruptcy	Ten Years from the Filing Date	Under Chapter 7 bankruptcy, a person does not repay any of the debts included in the filing. Chapter 7 bankruptcy remains on the credit report for 10 years from the filing date.
Unpaid Tax Lien	Ten Years	An unpaid tax lien will remain on a credit report for up to 10 years from the filing date.
Paid Tax Lien	Seven Years	A paid tax lien is deleted seven years from its payment date. Note: If you have an IRS tax lien, you will need to contact the Lien Office to ensure that your payment has been adequately recorded, and the lien will be released within 30 days. Keep this as proof of payoff in case needed.
Civil Judgments	Seven Years	Civil Judgments stay on your report the same way as accounts closed in a derogatory status. This information will stay on your report for seven years from when the judgment was filed.

Disclaimer: This table is an approximation and a simplification of a very complex formula. Most of the time, these dates will be accurate, but there are always exceptional cases where information stays on reports longer or shorter than listed here. Especially with laws changing frequently.

14% of Your Credit Score is Based on Something Hard to Change

It's a little complicated, but the simple answer is that Real Estate Accounts and Credit Card Accounts generally help your credit, **while Retail accounts DO NOT.**

*Stay away from Department Store Credit Cards (unless you intend to pay them off monthly). They typically have high-interest rates despite how good your FICO Credit Score is.

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30% of Your Credit Score is Based on Credit Usage

The remaining 30% of your Credit Score is based on your Credit Usage - the amount you owe on credit cards vs. the amount of credit you have. If you work on keeping your balances low (under 20% of their limits is a good rule of thumb), then you're in good shape - and that's a good idea to keep your interest payments low too.

Fair warning, every time you apply for a new account, that will add an inquiry to your report, potentially lowering your score.

Pre-Selected vs. Pre Approved

This is *merely marketing language* and doesn't mean you have been pre-approved. Only respond/apply to offers that clearly state you are pre-approved.

If you receive a pre-selected credit card application and your score is not at least 650, chances are you will not be approved. That will be a hard inquiry on your credit, reducing your FICO score by up to 12 points.

Improve your credit score overnight!

Get It

Get your credit reports! Why? Because that is what the financial world uses to judge you, they are indeed a passing judgment.

The credit score is your passport to a better tomorrow. A better score gets you better rates, which means lower payments. Paying less money and paying over a shorter amount of time means you keep the money, not the banks. Improving your credit score opens the door!

Fix It

Get the three credit reports. You now know that it is quick and easy, and it is the first step to debt-free living! Review your report. Correct any errors! If there are any items that you need to dispute, start the dispute immediately! The credit reporting agency has thirty days to resolve this matter. If they can't within thirty days, they must remove that questionable item from your credit report.

Monitor It

Review your credit reports regularly! Be sure they are accurate and free of errors. It is also a good idea to monitor your credit reports for any unusual items that pop up because identity theft is widespread these days, and you do not want to be the next victim. Most people balance their checkbooks once a month. You should get in the habit of looking at your credit reports too!

Delete It

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Do you have any collection activity happening? This item on your credit report is one of those damaging pests. But there is a cure! Call the collection agency and ask if they will delete it from your record if you pay. Instead of showing the collection as "paid," they can delete it from your record! Delete! Gone!

About half of all collection agencies will do this. They will remove it from your credit if you pay off the debt or pay a large chunk of it. If you are working with a collection agency that will delete it, do it! Find the money (any way you can!) and get this item taken off your record! Getting a negative item like this wiped off your credit report has a huge and immediate impact on your credit score! This is an unbelievable opportunity to make your debt problem disappear virtually overnight!

Increase It

Increase your credit score with a quick call to credit card companies! For every card you have, call each one and ask that they increase your credit limit. This request is usually much easier for them to agree to; they assume you will charge more, which means more bucks for them.

You want an increase in your credit score – not to charge more – but to boost your score more. Your credit score improves dramatically if you do not use all available credit. The fastest and easiest way to accomplish this is to get more available credit. All you have to do is ask! By not using all of your available credit, your credit score can go up as much as 50 points!

Spread It

Play the spread! If the credit card companies won't increase your limit (but most should), spread your debt among all your credit cards. You want every credit card to show the highest possible available credit. The FICO score system only wants you to use 30%-35% of your available credit on each card, so attempt that amount. The credit card may give you a credit limit of \$1000, but you should only charge \$300.

Play their game. Your credit score can significantly improve! Spread out what you owe, so no one card has a high balance and do not max out your cards.

Pay It

Can you pay off some of the balance to get your cards down to that 30%-35%? Instead of spreading the balances around, maybe you can pay some down. If possible, pay off your cards, or get them down to a low balance. Get each credit card to the magic 30% level.

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Common Mistakes People Make Trying to Improve Their Score

Due to all the confusion out there, people make some common mistakes trying to improve their Credit Scores. Here are some of the common mistakes that people make and why they are mistakes:

Mistake	Why It's Potentially A Mistake
Closing Credit Cards	Your score is increased by having at least a few credit cards, and more importantly - 30% of your score is based on Credit Usage, and once you close those cards, you're reducing your available credit and can end up hurting your score.
Negotiating Reduced Balances	If you are scared by the amount of debt you have and settle with a lender for a reduced debt to close your account, this could significantly impact your score. They will report the settlement as "Paid Less Than Full" when they close your account, and this will show up as a late payment on your report for seven years and 180 days.
Disputing Correct Information	Some believe you should keep disputing negative information until it falls off your Credit Report. This does not work, and the Credit Bureaus have measures to identify people who over-dispute. If something happens that is genuinely inaccurate; you'll have made it even harder to fix it.

Identify the Type of Incorrect Information

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There are two main types of incorrect information. Depending on which type of incorrect information you are looking to fix impacts the steps you should take.

Incorrect Details on Real Accounts

The information on your credit report comes directly from the companies that provide credit to consumers. Sometimes, that information gets misreported. Examples of incorrect details include:

- Open accounts reported as closed
- Reports of late payments that never happened
- Incorrect balances, credit limits, or other numbers

If you have found incorrect details on your credit report, you can dispute them with the credit bureaus.

Signs of Identity Theft

One of the easiest ways to detect identity theft is to see it on your credit report. Examples of fraudulent information include:

- Accounts that aren't yours
- Inquiries you didn't authorize
- Addresses you've never lived at

Know These Things Before You Dispute

The process for disputing incorrect information is regulated by the Federal Trade Commission (FTC), so the process for the three national credit bureaus is very similar. Learn more about your rights in our **Summary of the Fair Credit Reporting Act (FCRA)**.

What happens when a dispute is filed?

The credit bureau will ask the source of information to check their records, and then one of three things will happen:

- Incorrect information will be corrected
- Information that cannot be verified will be updated or deleted
- Information verified as accurate will remain intact on your credit report

This can take up to 45 days (usually less than 30), and the credit bureau will contact you with the results of their investigation.

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Equifax and TransUnion Dispute Processes

In today's technology environment, you can not dispute items on your credit card online with each Credit Reporting agency. Results are back to you in 30 days for your review and, if required, updated with the corrections noted.

You can also send them postal mail to dispute information with Equifax and TransUnion.

In your letter, you will need to include your name, social security number, and your account details as they appear on your Equifax or TransUnion Credit Report.

Credit Bureau Information

Experian

P.O. Box 4500 Allen, TX 75013 [see note]

When ordering your credit report, you might be asked to provide the following information: First, middle and last name; current address; previous addresses for the past five years; social security number, date of birth; spouse's name. If you are not entitled to a free credit report, they will charge you a fee of around \$10 for a copy of your credit report

Note: Experian has a long history of changing its mailing address periodically, so the mailing address provided may not be accurate.

Equifax Information Services, LLC

P.O. Box 740256 Atlanta, GA 30374

When ordering your credit report, you might be asked to provide the following information: Full legal name, address, social security number, and most recent former address. If you are not entitled to a free credit report, they may charge you a fee of around \$10 for a copy of your credit report.

Trans Union

P.O. Box 2000 Chester, PA 19022-2000

When ordering your credit report, you might be asked to provide the following information: First, middle and last name; current address; previous addresses for past two years; social security number, date of birth; current employer; phone number. If you are not entitled to a free credit report, they may charge you a fee of around \$10 for a copy of your credit report.

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Sample letter 1 - Removal of Inaccurate Information

The following is a sample letter requesting the removal of inaccurate information. Always include any copies of proof you may have (i.e., canceled checks showing timely payments, paid-off accounts, loans: anything that will show the information is indeed erroneous). It never hurts to include the consequences that have resulted from this wrongful information as well. Credit agencies give the most immediate attention to seriously wronged consumers. Remember, they are bombarded with 10,000 letters a day.

Your Name
123 Your Street Address
Your City, ST 01234

The Credit Bureau
Bureau Address
Anytown, State 56789

Date

Dear Credit Bureau,

This letter is a formal complaint that you are reporting inaccurate credit information.

I am very distressed that you have included the below information in my credit profile due to its damaging effects on my good credit standing. As you are undoubtedly aware, credit reporting laws ensure that bureaus only report accurate credit information. No doubt, the inclusion of this inaccurate information is a mistake on either your or the reporting creditor's part. Because of the mistakes on my credit report, I have been wrongfully denied credit recently for a *<insert credit type for which you were denied here>*, which was highly embarrassing and has negatively impacted my lifestyle.

Optional With the proof I'm attaching to this letter, I'm sure you'll agree it needs to be removed ASAP.

The following information, therefore, needs to be verified and deleted from the report as soon as possible:

CREDITOR AGENCY, acct. 123-34567-ABC

Please delete the above information as quickly as possible.

Sincerely,

your signature

Your Name
SSN# 123-45-6789
Attachment included.

Don't forget to provide proof if you have it! Keep a copy for your files and send the letter by registered mail.

Sample letter 2 - Removing inquiries

Prepare letters to each inquiring creditor asking them to remove their inquiry. The *Fair Credit Reporting Act* allows only authorized inquiries to appear on the consumer credit report. It would be best if you challenged whether the inquiring creditor had proper authorization to pull your credit file.

Your letter can go something like this:

Re: Unauthorized Credit Inquiry

Dear American Express,

I recently received a copy of my Experian credit report. The credit report showed a credit inquiry by your company that I do not recall authorizing. I understand that you shouldn't be allowed to put an inquiry on my file unless I have authorized it. Please have this inquiry removed from my credit file because it makes it very difficult for me to acquire credit.

I have sent this letter by certified mail because I need your prompt response to this issue. Please be so kind as to forward me documentation that you have had the unauthorized inquiry removed.

If you find that I am remiss and you did have my authorization to inquire into my credit report, then please send me proof of this.

Thanking you in advance,

Jane Caveat-Debtor

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Frequently Asked Questions?

A. What kind of information is in your credit history?

1. **Credit accounts.** Your credit cards, loans, and mortgages can all be on your credit history. You can also find additional details like the date the account was issued, the amounts owed, the credit limit for credit cards, and payment history.
2. **Inquiries.** Any time you apply for a new line of credit, the lender will usually check your credit history, initiating a "hard inquiry" on your report. Hard inquiries could deduct a few points from your credit score and negatively impact your credit history for up to two years before being removed, though the impact generally decreases over time.
3. **Derogatory marks.** If you become severely delinquent in your payments and your account is sent to a collections agency, the account in collections will often be noted on your credit history, which can significantly lower your score. In fact, derogatory marks typically stay on your credit history for seven to ten years.
4. **On-time payment history.** If you are 30, 60 or 90 days late on a payment, it will usually be noted on your credit history and could negatively affect your score. The later the payments are and the later they appear on your credit history, the more negatively they can impact your score.

B. What kind of information is not in your credit history?

1. Bank accounts, such as checking and savings accounts, do not typically involve credit, so they do not affect your credit history in most cases.
2. Your income, age, and the race will not appear on your credit history. Date of birth may appear as part of your identifying information, but it is not used in credit scoring.

C. Are there any free credit monitoring websites? Yes. creditkarma.com is a free website with no hidden fees that can be used to monitor your credit. Be careful because sometimes your score may differ if you check with the actual credit reporting entity.

D. What is a derogatory mark?

A derogatory mark is essentially a long-lasting negative record on your credit report. These marks will likely hurt your ability to qualify for credit or obtain desirable rates and can typically take seven to ten years to clear from your credit history. Some examples of especially severe derogatory marks include:

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- **Bankruptcy:** This generally means that you have entered into a particular legal proceeding to request certain forms of relief from your debt obligations. Because it's a drastic step
- And one of the most damaging negative records you can have on your credit report is usually a last resort for addressing overwhelming debt.
- **Foreclosure:** This generally relates to situations where you have fallen behind on mortgage loan payments, and the lender has undergone a legal process to attempt to force a sale of the home used as collateral for the mortgage loan.
- **Collections:** These accounts have been reported as sent or sold to a third-party debt collector by the original creditor because of missed payments.
- **Tax lien:** Tax liens may occur when you neglect or fail to pay a tax debt on time. It's important to know that unpaid tax liens may remain on your credit report indefinitely.
- **Civil judgment:** This information usually relates to civil lawsuits requiring the payment of damages (for instance, if you lost a civil case or failed to respond to a lawsuit).

What does it mean for my credit?

The number of derogatory marks on your credit report is significant in some credit scoring models; minimizing these marks is best. Just one derogatory mark can drop your score drastically.

What can I do about derogatory marks on my credit report?

If the derogatory marks on your credit report are accurate, there often isn't much you can do, and you should be wary of credit repair companies that claim they can remove this information. The best practice is to keep the rest of your credit in good health and wait for those marks to fall off over time naturally.

E. Hard Inquiries and Soft Inquiries

There are two kinds of inquiries that can occur on your credit report: hard inquiries and soft inquiries. While both types of credit inquiries enable a third party, such as you or a lender, to view your credit report, only a hard inquiry can negatively affect your credit score.

What is a hard inquiry?

Hard inquiries generally occur when a financial institution, such as a lender or credit card issuer, checks your credit report when making a lending decision. They commonly occur when a consumer applies for a loan, credit card, or mortgage, and you typically have to authorize them. Most important, note that hard inquiries might lower your credit score by a few points, and they may remain on your credit report for two years. Over time, damage to your credit score usually decreases or disappears, often even before the hard inquiry falls off your credit report.

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What is a soft inquiry?

Soft inquiries typically occur when a person or company, such as a potential employer, checks your credit report as part of a background check, when you are "pre-approved" for credit card offers and when you check your credit score. A soft inquiry may occur without your permission. Soft inquiries may be recorded in your credit report, depending on the credit bureau, but they won't affect your credit score in any way.

One of the biggest misconceptions is that checking your credit score using companies like Credit Karma will hurt your credit score. This is not the case. You can check your credit score at Credit Karma as often as you like, which will never lower your credit score.

Examples of Hard Versus Soft Inquiries

Some common examples of which financial actions result in a hard or soft inquiry are some lesser-known actions that may incur a credit inquiry.

Hard Inquiries	Soft Inquiries
Usually	Usually
<ul style="list-style-type: none">• Applying for an auto loan, student loan, business loan, or personal loan• Applying for a credit card• Applying for a mortgage	<ul style="list-style-type: none">• Checking your credit score• Pre-approved credit card and loan offers• Background checks, such as those done by employers
Sometimes	Sometimes
<ul style="list-style-type: none">• Applying to rent an apartment• Verification of identity by a financial institution, such as a credit union or stock brokerage• Renting a car• Getting a cable or Internet account• Opening a checking, savings, or money market account• Requesting a credit limit increase• Getting a cell phone contract	<ul style="list-style-type: none">• Applying to rent an apartment• Verification of identity by a financial institution, such as a credit union or stock brokerage• Renting a car• Getting a cable or Internet account• Opening a checking, savings, or money market account

If you are unsure whether a financial action you are about to take will result in a credit inquiry, ask the financial institution or company. Also, if a financial institution or company informs you that they will be checking your credit, ask them to distinguish whether or not it is a hard or soft inquiry.

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Why Hard Inquiries Hurt Your Credit Score

While hard inquiries are necessary for specific financial actions, such as applying for a loan or credit card, hard inquiries should be minimized as much as possible. While one hard inquiry will usually knock a few points off your credit score, multiple hard inquiries in a short time may cause significant damage to your score. Your credit score may be penalized for multiple hard inquiries because applying for too much credit at one time may indicate that you are desperate for credit, or that you aren't able to qualify for credit.

Keep your hard inquiries to one or two a year. Credit Karma data shows that consumers with lower numbers of hard credit inquiries have higher credit scores.

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Dear Steward!

I hope the strategies in this article assist you on your journey to creditworthiness.

This information is free and can be found on the credit bureau websites listed within the article.

We are not credit counselors; you should always check the most up-to-date laws and strategies for credit-related corrections.

There are more tools available, with more to come at www.drnichelledbell.com

Also, visit the website to keep up with book releases, schedule a call or speaker engagement, and sign up for future training classes.

You can also sow a seed into this ministry on our giving page.

Join My Daily Bread Facebook page at

<https://www.facebook.com/groups/mydailybreadkingdomliving>

I pray that God is speaking to your heart and that you will implement the strategies and walk in the abundance that the Father has for your life and family!

In Your Service,

