

## Getting a Good Credit Score

Just the fact that you are taking good care of your money, using your budget and savings accounts to make sure all your bills are paid ON TIME, will make a great difference in your credit score. There are, however, several things that will affect your score both good and bad.

What is a Credit Score? Your credit score is a report card average of how you handle your money. There are three big credit agencies – Transunion, Equifax and Experian. I will put more information on these three at the bottom of this article.

Now the interesting thing to know about all three is that they really do NOT do any investigation into you. They don't know how much money you have in the bank, they don't go into looking for information to find out anything about you; they only know what is reported to them by outside sources and what is legally recorded. This is why you have to keep an eye on your credit reports and why you can manipulate them easily. They only report on your past performances in paying your bills, if you have any loans or credit cards and any legal financial judgments, if they are reported. Not all of them are. Why? Because the person who has the lien or judgment against you has to file it with county records. Many of them don't, especially if the lien goes against your house, it may not appear on your credit information. Bankruptcies, tax liens, and the like will probably appear, but they may appear only on one of the three. That is why a true credit report lists all three credit agencies.

The credit agencies don't know if you can afford a bank loan, they know that the bank will look into you thoroughly and decide whether to give you a loan. The bank decides if they will give you a loan based on income as well as your credit score which really only reports on your past history. The interesting thing is that if you get a prepaid or 'secured' credit card, your payment history will be the same as if it is straight unsecured credit. Getting one of these is the fastest way to get your credit score higher.

Armed with this information you can see the kind of things that will affect your score:

1. Late payments
2. Missing payments
3. Payment defaults
4. How much of your credit you use (percentage of a any credit line)
5. Payoffs of Credit cards
6. Legal liens
7. Tax liens
8. Bankruptcies

I actually listed these in order of things you need to do to clear these problems.

1. Late payments – Obviously use your budget to make sure that you are making at least a minimum payment on time every month.
2. Missing payments – ALWAYS make a payment, even if a minimum, or even less than minimum, but give them something. All companies that you owe money to would rather see you do something to salvage the situation rather than not get anything. Be careful however, some companies won't accept less than minimum. Joke: missing payments will throw you into the dreaded "Credit Collection Agencies" where the people you talk to will usually be nasty. Work out something with the people you owe money to; they are usually nicer and more willing to work with you. Communicate with them before an issue escalates to you being sent to collections.
3. Payment defaults – This gets you with the dreaded "Credit Collection Agencies" who usually don't want to hear your story, they just want money. They push and call so you will pay them to get them off your back. If you get money to pay them off, don't fall for "we'll take less if you pay in one lump sum!" That's great to get them off your back, but it will wreak havoc on your credit score with a "settled for less than amount owed." Drops your score like a rock. If they try this, tell them you will pay in one lump sum if they put in writing that you have "Paid in Full as Agreed" that you can send to the credit agencies. Then pay them.
4. How much of your credit you use (percentage of credit)? Go back and read the **Handling Credit Cards** section which shows you how to pay off the highest interest rate credit card first. When they are all paid off, use 1/3 of your credit limit each month and pay each in full each month.
5. Payoffs of Credit cards. If you can't use 1/3 of your credit limit each month in your regular budget, you have too much credit. Cancel a credit card, especially a low credit limit one. But make sure that what gets reported to the Credit Agencies as "Cancelled at Borrowers Request", otherwise it could look like they cancelled it and look bad on your Report.
6. Legal liens – Don't despair, there are several ways to handle these. When you pay it off, make sure that it COMES OFF your credit report, not just looks like it was paid. You can insist on this before you pay it. If you can't afford to pay it off, work with who you owe the money to in order to change it to a personal loan. Make a deal with them to pull the lien off (they will still have it) and only put it back on if you miss a payment. If you can't pay, or don't want to, send a protest letter to the Credit Agencies stating that this is still in dispute. That will work for a while, but you may need to go to court to get it totally released.
7. Tax liens – These are odd, varied and a real pain. Always write a protest letter to the Credit Agencies because most tax liens are not legally done (yes, even the government does not follow the rules) and should not be there. Again, fight them, but keep in communication and get it taken care of.
8. Bankruptcies – Very interesting on a lot of levels. As soon as you can after a bankruptcy go to Capital One and get a small credit card. Most others won't give you one, but Capital One realizes

that you cannot file bankruptcy often (7 years last time I looked) so they are pretty safe in giving you a small one. If they won't then go to a bank and request a 'secured' credit card. A DEBIT CARD IS NOT THE SAME THING. The secured card goes on your credit report, the debit card does not. You need to re-establish your credit, starting small will do it.

Note: Always use a credit card on the internet – or frankly, anywhere else. Debit cards can lead identity thieves right to your bank accounts. And Credit Cards have better identity theft recovery programs than debit cards do.

9. BUT REMEMBER, CONTINUALLY APPLYING FOR CREDIT AND GETTING TURNED DOWN WILL ALSO LOWER YOUR SCORE. ONLY APPLY WHEN YOU ARE SURE YOU WILL GET IT. And the Credit Agencies will know if people continually look at your score, so get involved with one of the credit score sites and keep track from there. If you want to buy a car, take a copy of your credit report with you and ask if it is acceptable. They can say 'no' without them having to check.

Make sure that you check out our Asset Protection articles. You may find that having a low credit score is very good to protect from identity theft. So get a business or other entity and get them a good credit score. No one can apply for credit in their name without having the proper paperwork!

So here is the information on the three Credit Reporting agencies:

[Equifax](http://www.equifax.com) (www.equifax.com)

P.O. Box 740241  
Atlanta, GA 30374-0241  
1-800-685-1111

[Experian](http://www.experian.com) (www.experian.com)

P.O. Box 2104  
Allen, TX 75013-0949  
1-888-397-3742

[Trans Union](http://www.transunion.com) (www.transunion.com)

P.O. Box 1000  
Chester, PA 19022  
1-800-916-8800