Mortgage Free
SOLUTION

IMPROVE ANY CREDIT SCORE

- LEARN THE RULES
- LEARN THE FORMULA
- LEARN HOW THEY ARE TAKING CASH FLOW OUT OF YOUR POCKET
- MANAGE CREDIT WITH KNOWLEDGE NOT GUESSING
- PAY LESS FOR INSURANCE
- THE LIST GOES ON...

Quick Fact: ALL 3 credit reporting agencies, **EXPERIAN,TRANSUNION AND EQUIFAX….. Are ALL *FOR PROFIT COMPANIES!!!!***

Quick Fact: Most Americans – 83% – have an error on their credit reports. If you're one of them – *and chances are good that you are* – this can cost you significantly.

You will have higher insurance rates.

You will have higher interest rates.

You can risk losing access to money.

A difference of even one point on your credit score can mean the difference between ***being approved for or denied a loan***, and of gaining or losing hundreds of thousands of dollars in interest. Most people know that paying bills on time is important to their credit, but we're going to unveil here others that are equally important. <u>A good payment history makes up only about 33% of your credit</u> score. This guide will help you understand how to effectively increase your credit score – and save you money.

"There is no such thing as too much available credit."

~Ryan O'Shea, Registered Investment Advisor

When it comes to improving your credit rating, there is no one big move that fixes everything. It's all about a series of small actions that add up.

Implement each strategy one by one, and as you'll see, the end result can be a game-changer for your cash flow, personal finances, and wealth-building efforts.

UNDERSTANDING CREDIT REPORTING, SCORES, AND ERRORS

In today's world, we're living with the lowest interest rates I've ever seen compared to the last century.

But many people can't take advantage of these low rates because they don't know how to maximize their credit score. Or, even worse, because there's an error on their credit report dragging their score down.

So in this guide, I'll be sharing tips for improving your credit and protecting yourself from errors.

Do You Have An Error On Your Credit Report? It's been reported that as many as 83% of people have an error on their credit report. And a quarter of these people get denied a loan they would otherwise be approved for as a result.

That's just not acceptable when an error--*that you didn't make*--can be the difference between being approved or denied for a loan, or getting a high or low interest rate.

<u>A maximized credit score is the key to restructuring loans to free up cash flow</u>, getting lower interest rates, paying less on insurance and more.

So it's critical to find out your credit score and improve it as much as possible... and now, more than ever.

Not too long ago, if you had a pulse, you could get a loan--and a 680 credit score qualified you for the best rates.

Then they went to a higher standard of 720.

But now, we're looking at 760 to 780 to ensure you always get the lowest rates possible.

Once you hit 800, you have nothing to worry about, **<u>so that's the goal.</u>**

Fortunately, it can be fairly simple to improve your credit score. And even though you have good credit, your score can jump 70 points in 30 days... just because understanding some of these little-known rules of the game can give you the advantage.

So let's get started…

How to Get Your Credit Reports and Score

First, know that any business loans or lines of credit may not show up on your personal credit report. That's because any credit reporting is for the business, not the individual.

Next, people are often surprised to discover that ***your credit report and your credit score are not the same thing***. And that your credit score is <u>not always</u> on your credit report.

Plus, your credit report is actually three different reports compiled by three different credit bureaus--Equifax, Experian and Transunion. The reports should be almost identical, but they may not be depending on what's been reported to them.

These credit bureaus are required by law to give you a free look at your credit report once a year at **www.annualcreditreport.com**.

So what many people do is request one free report from ***one bureau*** every four months, that way you can regularly monitor your credit and check for errors for free.

That's a good plan. But if you haven't checked any of your credit reports in years, I'd pay the extra money to **check them all for errors now**, and go the free route moving forward. As valuable as the free credit reports are for monitoring and correcting errors, your free credit report does NOT contain a score.

The credit score that we are all familiar with is derived from information on your credit report. There are several companies that provide credit scores, but the industry standard is the **FICO** score.

A FICO credit score uses "predictive analytics," which means they take information and analyze it to ***predict what's likely to happen***.

In the case of credit scores, FICO looks at a range of credit information and uses that to create scores that help lenders predict consumer behavior. A FICO score is viewed by the lending industry as accurately predicting how likely someone is to pay their bills on time (or not), or whether they are able to handle a larger credit line.

You will have 3 credit separate scores--one for each credit report.

You can get your FICO credit scores at **www.myFICO.com** . You have to pay for these, but it is regarded as the best place to get an accurate FICO score that creditors actually use.

There are other sites that will give you a **Vantage credit score**, but that's *not the same* as FICO.

Most lenders use FICO when considering you for a loan, and your Vantage credit score is typically much higher, which can cause confusion.

Some credit card companies, like Discover, will give you a free credit score update on your monthly statement, so that can be a free way to monitor your score.

Check EACH of Your Credit Reports For Errors

We have a documented case where one credit bureau's report gave a member a score of **701**, while the other two gave her a **762**.

Why the discrepancy?

Because one of her credit reports had an error. That's why it's important to look at ***all three credit reports individually*** and scores up front to see what's really happening. Most people will have an error of some sort.

Maybe it's just a misspelled name or an incorrect address. For example, lenders often want to know how long you've been at your current address, so you want to make sure that information is correct.

More serious errors will hurt your credit score, and these are common as well.

Sometimes it's because the same account is showing up twice, which is especially harmful if that account has missed payments or a bad utilization rate (we'll cover utilization rate in the next section).

Other times a closed account may be shown as open or vice versa.

If this is the case, you'll want to contact the credit bureau directly: Experian, Equifax, or Transunion.

They have directions for how to dispute errors on their website. ***However*** — if the error is for an account *more than two years old*, and that account has any negative marks, *it may be better just to leave it alone*.

Any changes made to an account with negative marks will make those negative marks seem more recent, and that can hurt your score. It's best to let sleeping dogs lie in that case.

Another common error is when a credit card doesn't report your credit limit, which is the same as reporting a limit of zero.

Here's why this hurts your score: the computer algorithm doesn't know what your limit is, ***so it assumes that your card is maxed out*** without spending a dollar. And the minute you charge anything to your card, **you're considered over your limit**.

If this is the case, you'll want to call your credit card company and ask them to report the limit on your card. If they won't, it's time to contact the credit bureau. However, ***make sure you do not dispute more than three errors at a time*** with any single credit bureau.

Otherwise they may mark the disputes as frivolous.

Instead, file three disputes and wait until you get a resolution.

Then they have thirty days to investigate the dispute. Once it's resolved, you can dispute three more.

Many times people don't think about their credit until they need a loan. But at that point, if their score is too low or there are errors, it's too late. You'll either be denied or pay more in interest than you should.

So it's best to always be in-the-know when it comes to your credit--it can save you lots of money and headaches in the long run.

Finally, did you know that credit cards can damage your credit score even **if you pay them off in full every month?**

It's true, and I'll tell you all about it in the next section where we cover...

MANAGING YOUR CREDIT CARDS—CORRECTLY

Many people think that if you pay your bills on time, you'll have a good credit score. ***But that's absolutely false***.

There are multiple scenarios that can leave you with damaged credit, even if you've paid every single bill on time. And many of those scenarios revolve around credit cards.

First Off, How Many Credit Cards Should You Have?

It's a common question. Should you get another credit card? Should you cancel any cards? Or should you even have any credit cards at all? Personal finance guru Dave Ramsey answers that last question with a ***no***. He *doesn't believe* you should have any credit cards. But he also *doesn't believe* in building your credit history or improving your credit score.

So if you **want a high credit score**, you should have credit cards. And if you want to maximize your credit score, ***3 to 5 cards is the sweet spot.*** If you just have 1 or 2, it only takes *one error* to make it look like you're not responsible with credit cards.

And by error, I don't mean something you did wrong, like missing a payment. Instead, I mean the credit card company misreporting your history like we talked about in the last section. That happens surprisingly often, and you don't want to be at risk. So it's best not to get a new department store credit card every time they offer you a discount. That will lower your average credit card age and hurt your score. It will also hit you with a large number of inquiries. If you're applying for credit cards more than three or four times a year, you're going to have a 5 TO 15 point decrease in your score. The ideal amount is 2 a year.

By the way, if you're married, do not open joint credit card accounts, as both spouses need to have three to five cards.

A couple more quick rules with credit cards…

Don't cancel old cards. The older they are, the more credit history and the more they boost your score.

And you also want to make sure that you use each of your credit cards at least once every few months to keep them active, otherwise they'll stop counting towards your score.

An easy, hands-off way to do this is to arrange for a recurring bill to charge to the card each month, while simultaneously setting up your checking account to automatically pay off the card balance each month. The card stays active, and you get to forget about it.

How to Use Credit Cards Responsibly

Unless it is part of our blue print or plan, it's best to pay off your credit cards in full every month from our created home bank so that you don't pay interest. There's no easier way to get a guaranteed 15-25% return on your money than simply avoid paying down those high interest credit cards. But as part of our strategy and blue print, try to keep your **balance below at least 30 to 50 % of your credit limit daily.**

This is very important. It has been reported that your balance to limit ratio accounts for as much as 30% of your credit score. So even if you've paid every bill on time, if your cards are maxed out, then your credit score is taking a major hit.

<u>Another Way Being Responsible Can Hurt Your Credit</u>

Here's a shocking fact that you'd never guess unless you knew these rules of the credit score game. The balance-to-limit ratio can get you in trouble even if you pay your balance in full every single month.

Yes, even if you start each billing cycle with a balance of zero, it can still be reported that your balance-to-limit ratio is higher than 30%--*or worse, maxed out*.

How? Because *you don't get to choose* when your credit card company reports to the bureaus, and it's not always after you pay your bill.

For example, they may report on the 9th when you're at the peak of what you charged, and never know that you paid off the balance on the 10th. If at any time, your balance-to-limit ratio is higher than 30%, you're taking a risk that it will be reported to the credit bureaus.

A *simple solution* is to contact your credit card issuers every **6 months** and ask if they'll increase your limit. That way, you can keep the same spending habits, but it will become a lower and lower percentage of your total debt limit.

So in summary, to maximize your credit score, get 3 to 5 credit cards and keep them active by charging a purchase with each card at least every few months. Try to keep your balance-to-limit ratio as low as possible, even though you pay the balance off in full every month. So request the highest limit possible for each credit card.

Lastly, did you know that there's one type of loan that you ***<u>must have</u>*** on your credit report to optimize your score, but many people don't? It's true, and that's what we're covering next.

HOW LOANS AFFECT YOUR CREDIT SCORE

The rules of the credit score game can be a bit mysterious. Instead of being obvious or intuitive, they're finicky and elusive. In the last section, we covered why paying your bills on time is not enough to have a good credit score. I'll show how someone who has seemingly done everything right can still get hit with a 30-point ding on their credit score... just because they didn't know all of the rules of the game.

Here's the scenario…

Let's say someone has the right number of credit cards (three to five), always pays them on time and keeps the balances low.

⇒ They have a mortgage that they've never paid late on

⇒ They've never been in collections

⇒ There are no errors on their report bringing them down

⇒ They have over a 10 year credit history

This seemingly would get you a perfect credit score, but it doesn't.

In fact, you could get docked up to 30 points because you're missing one ***critical*** piece on your credit report.

An installment loan.

What Is An Installment Loan?

An installment loan is a loan for a fixed period of time with a fixed minimum payment. So if you make the minimum payment, and not a dollar more, the loan will be paid off at the end of the loan term.

It's usually possible to pay off the loan early by paying more than the minimum payment, but doing so will not lower your minimum payment.

That's fixed.

The perfect example of an installment loan is a car loan.

At today's rates, if you get a $20,000, 5-year loan for a car, you'll be paying about $360/month for the next 60 months--or sooner if you pay more than the minimum.

For whatever reason, the credit bureaus want to know that you can handle this type of loan, so ***it's a separate loan category than credit card loans or mortgage loans.***

And if you don't have a recent installment loan, then your credit report shows a big question mark for this credit category.

If you'd rather lease than buy a car, that still counts as an installment loan as far as your credit is concerned. But if you're not in the market for a car, there are still other ways to get an installment loan on your credit report.

Creative Ways to Get an Installment Loan On Your Credit Report

A jewelry loan will do the trick. And so will a signature loan, which is a personal loan backed only by your signature and your promise to pay it back. A signature loan can be for most anything.

I helped a client get a signature loan from a bank, just so he could get an installment loan on his credit report. In fact, he told the bank he wouldn't even leave with the money. If they'd just lend him the cash, he'd put it in his account and they could make monthly withdrawals until the debt was repaid.

That's one creative option. Another creative option is to take out a loan on a car that you already own. Our clients have done that. After checking credit score, they discovered they were well below 800 because no one had a recent installment loan.

Not everyone needs a new car, so simply refinanced the car you already own. This will put an installment loan on your credit report, which you will able to pay off quickly, and your score may jump 30 points or more.

How it Affects Your Credit Score

"Credit Mix" makes up 10% of your score. By improving credit mix and showing responsibility in the 3 main categories of credit--installment loans, credit cards and mortgages-- credit scores get a boost. It was also significant that an installment loan is recent. To get the best results, you want to have an installment loan within the last 2 years of your credit history--either one you're paying down now, or one you paid off.

In Conclusion…

Now let's summarize what we've learned about credit.

It's been reported that 83% of consumers have errors on their credit report, so it's important to check yours regularly for misreported limits, duplicate accounts and anything else that's incorrect. You can get a free report once a year at AnnualCreditReport.com. To get your credit reports and an accurate credit score like the one lenders will see, go to MyFico.com.

If you do find errors, don't dispute ***more than 3 errors at a time*** with the same bureau.

Next, it's best to have 3 to 5 credit cards with the maximum limit that you can qualify for. Try to keep your balance low at all times--no higher than 30 to 50%% of your limit, but the lower the better.

And don't cancel old cards. The length of the card's credit history helps your score.

Finally, make sure to have an installment loan within the last 2 years of your credit history. That can be a car loan, a jewelry loan, a signature loan or even leasing a car.

If you just follow these steps, it will go along way towards optimizing your credit score.