

Credit Repair 101

Credit repair is vital for modern day commerce. We've covered some basics about the credit industry, but we haven't detailed the fundamentals of credit repair 101 before. To preface today's topic, just remember that a credit score is an artificial representation of one's "credibility." It is a measure of whether you can pay back money borrowed.

They say actions speak louder than words, but in this case it is a number.

Credit Repair 101: Fundamentals

Credit repair is so important for loan applications and approval of virtually everything. If you want to rent an apartment, qualify for a loan, or open a new line of credit, your credit score is going to determine your eligibility.

If your credit score is low, you will probably not qualify. That's where alternative lending options have begun to excel. Traditional lending institutions and even online banks are now lending less, and rejecting more. The economy has not improved much since 2020 either.

So what are the fundamentals of credit repair? Here are some things to remember:

1. Credit Reports Aren't Always Free

This has proven a startling fact for new credit holders. The idea that a credit report can actually hurt your score or that it could cost you money is quite odd. Yet, that is exactly how these credit reports work. There are exceptions (like when a credit card company offers free credit reports) but most checks are considered "hard" checks, not "soft" checks.

A hard credit check has a negative effect on the score, while a soft check simply informs you of the current credit score without verifying it. (The latter is what most assume they get, but often don't)

2. Credit Errors Make Waves

Even small credit errors can have massive implications. The most noticeable is a security breach. If an error was innocently made, that's one thing. But if an error was intentional (like someone committing fraud) that is even worse!

Of course, credit errors aren't usually referencing fraud, they describe erroneous reporting. An error in credit reporting can lower your credit score and put "derogatory marks" on your record. (Like when you make a late payment or overdraft)

If you've never had a late payment but that is reported on your score, then it should be contested!

But be sure that you aren't contesting something that really happened. Accurate reports are legally required to reflect in your history.

3. Patch It Up!

So maybe you've found the errors, now what? Once the errors removed and your credit score is better reflected, now it is crucial to better your credit habits.

Assuming your credit score isn't amazing (with the highest possible being above 760) the only way to organically improve your credit score is to do the following:

- Pay credit card bills punctually.
- Don't take on more credit than you need.
- Pay down any existing credit card debt. (Auto pay is your friend if you are trying to never miss a payment!)

But now you're probably wondering how credit repair fits in to this.

Credit Repair Isn't Instantaneous Or Guaranteed

Because credit repair companies cannot guarantee improvements to your credit score, there are clear advantages to slowly improving your credit score.

That being said, the amount of time and (possibly) money that you'll have to put out to improve your credit score yourself can be extensive. You will most definitely save time and money if you use a professional credit repair agency instead of doing it yourself.

Ironically, the reason most even use a credit repair company is generally because they have poor credit management. That being said, it isn't uncommon for a company to have their credit history improperly reported. The process of repairing the damage caused by bad credit history can be time consuming and frustrating. This is credit repair 101.

How Brokers Are Solving These Issues

Although a loan broker isn't quite the same as a credit repair agent, loan brokers usually have contacts to assist with credit repair. Or the loan broker can simply find alternative financing so that you don't need to get credit repair.

The primary reason credit repair is used is to qualify for credit or loans. So if a lending broker can do that without repairing the credit score, that just saved time and money.

Of course, this doesn't improve or remove problems with a credit score. The broker just found a suitable lending option and negotiated the deal.

But for most businesses, this is the fastest and easiest way to get what they want. (Which surprisingly hasn't impacted banks to much. Most companies and individuals try banks for funding and large corporations for credit lines) Of course, bigger lending institutions have a the highest decline rate, which frustrates the heck out of companies trying to qualify.

Are Credit Repair Companies Truly Faster?

Yes and no. Because credit repair companies have professional negotiators and credit repair agents, they can remedy problems faster. That being said, they can't remove legitimate negative reports. So if you have many derogatory marks on your credit report, then they may not be able to do anything for you besides verifying the report.

Hence why loan agents are becoming more valuable today. Why waste time on credit repair when someone can find you a suitable solution that takes minimal time and financial commitment.

As we covered in another article, credit repair companies are generally more costly. But using one can save you months or even years of repairing your credit score yourself.

Why Do People Bother With Credit Repair If A Broker Can Do The Job?

Because ultimately, a broker might not be able to get you what you need. Whether that is a new line of credit or a loan, your credit score has a huge impact on your eligibility. (This changes if the loan is with alternative lending sources who don't care about your credit score as much)

But for most businesses and lending institutions, they want to see that you have a good credit score.

Conclusion

If you'd like to learn more, feel free to reach out to us and we'll answer your questions asap! Share this post with others who want to learn credit repair 101!