

4 Common Myths About Improving Your Credit!

It's no doubt that your credit score is a very important number when it comes to applying for credit. If you have good credit, it can help you get a loan. If you have bad credit, you might still be able to get a loan, but you'll most likely pay a higher premium.

So if you have bad credit, of course you'll want to improve it so you can get the best loan possible. Here are some misconceptions about how to go about doing this and the real truth about what you *should do*:

Myth #1: *Paying Off My Debts Will Clear Up My Bad Credit History*

It's true you should pay off your debts—that's a given. But if you make a late payment, that discrepancy will appear in your credit report. The more late payments you make, the more your credit history will be adversely affected. Paying off all your debts at once will help you, but it won't totally erase the appearance of late payments on your credit report. Strive to pay your debts on time, every time. That is the surest way to prove to lenders that you are responsible when it comes to using credit.

Myth #2: *I Can Pay Someone to Improve My Credit*

It's possible to make corrections to your credit report if mistakes appear. Many credit reports have mistakes ranging from an incorrect address to missing an account in good standing. If mistakes appear, you can dispute them. However, if you made a late payment, that's a simple fact. It happened and you can do little to change it.

Paying someone to improve your bad credit due to several late payments or having filed for bankruptcy in the recent past is probably a waste of time. Companies who do this flood the credit reporting agencies with dispute letters which ask the creditor to verify the entry. If the entry can't be verified, it must be removed from the listing. But if it can in fact be verified, then the agency will put it right back into your file after 30 days. If there are actual errors, you're probably better off making the dispute yourself.

Myth #3: *If I Cancel My Credit Cards My Score Will Definitely Go Up*

This is really not a good idea since your credit score is based, in part, on the length of credit history you have. If you have a credit card that you've owned for a number of years, whether you use it or not, closing it is not a good idea. Creditors like to see that you have about two to three active credit accounts managed wisely. Opening and closing multiple accounts in a short period of time can also look irresponsible. One of the best ways, as we said before, is to just pay your bills on time.

Myth #4: *Credit Counseling Will Hurt My Score*

There are many factors that go into calculating your credit score. The truth is that credit counseling is not one of them. However, creditors report your account in one of two ways: Let's say your \$650 monthly payment is renegotiated by the credit counselor to \$400. The creditor can report it as \$250 in arrears (meaning that you didn't make the full payment all at once) or it can report your account as current and up to date to reward you for making the effort and for not filing bankruptcy. If the account is reported not up to date, then that may affect your overall score. But your score is not affected by the fact that you are attending credit counseling. And credit counseling is a very good idea if you need help managing your finances to get yourself out of debt.

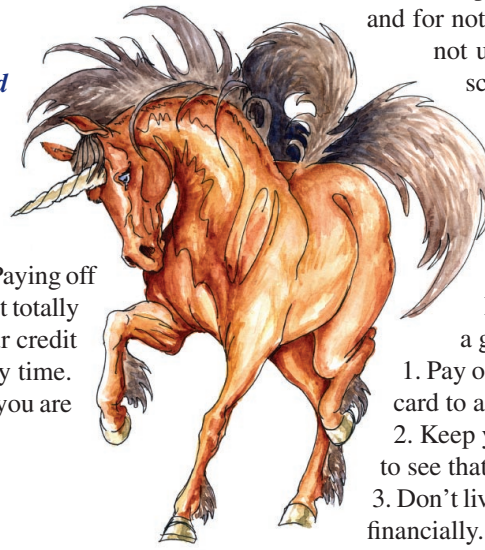
What Else Can You Do?

Here are just a few ways you can help maintain a good credit score:

1. Pay off debt rather than shuffling it from one credit card to another.
2. Keep your credit card balances low—creditors like to see that you can manage credit responsibly.
3. Don't live beyond your means or over-extend yourself financially.

More Tips on How to Improve Your Credit

Managing your credit wisely and maintaining a good credit history is the key to getting better loans with better interest rates. Check your credit report on a regular basis for errors and discrepancies. By law, you're allowed one free copy of your credit report per year by going to www.annualcreditreport.com. If you need more help, call your local lender today.



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Why You Should Perhaps Not Pay Off Your Mortgage Just Yet

Many homeowners dream of the day when their mortgage is finally paid off. They look forward to not making any more house payments and having the satisfaction of owning their home free and clear. Some homeowners try to use aggressive tactics to pay off their mortgage—tactics like having a 15-year term on their fixed-rate mortgage or a bi-weekly mortgage. But some mortgages carry pre-payment penalties, which are fees you have to pay for paying off your mortgage early.

While paying off your mortgage may be a worthwhile financial goal, sometimes, it may not necessarily be the best use of your money, depending on your circumstances.

For example, if your employer offers a match to your 401k, then it might be a smarter use of your money to put more toward your 401k account. These are pre-tax dollars that will be saved for you when you retire and will help ensure your financial stability in the future.

You may have lots of high-interest credit card debt that you need to pay off. Your money may be better spent paying down your debt. This could have a positive effect on your credit standing and lead to a lower interest rate should you need to refinance for any reason later on or apply for another loan, such as a car.

Plus, the interest rate on your credit card may be as high as 15, 18, or even 22 percent, whereas the interest on your mortgage is probably around 6 percent, and maybe slightly higher or lower. Interest on your mortgage is tax-deductible*, according to Uncle Sam. Interest on your credit cards is not. So it might be better to pay off your credit card debt first with non-tax-deductible interest first.

Paying down your high-interest credit card debt, contributing more toward your 401k, or other higher-return investments, or even saving money for things like your children's college tuition may be better uses for your money than paying down your mortgage. While it really depends on your individual situation, you should think about all the other ways you could use your money. After all, *it is your money* and your decision. If you're not sure what you should do or if you still have lots of questions, feel free to contact your local lending expert today. You'll be glad you did.

** As always, please consult your tax advisor.*

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