Understanding And Improving Your Credit Rating

By MalaMaal.com

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"No man's credit is as good as his money." E.W. Howe, American journalist, novelist 1853−1937

The American economy is based on credit. If you don't have at least an average credit rating, you will find that getting approved for any type of loan, or credit card, will be very difficult − if not impossible. As the nation's economy worsens, the money supply becomes tighter. A major factor looming on the horizon is the growth in the national debt. At this moment, the country's deficit is approaching a staggering four trillion dollars! That means something like twenty cents out of every dollar spent by the Federal Government goes toward paying off interest on money borrowed!

You may be asking what does that have to do with you obtaining credit? Everything! There is only so much money to go around. A common misconception is any government running short of cash can simply crank out more by running the printing presses late into the night. Wrong! It doesn't work that way. The government, just like a business or individual, has to go out and obtain funds whenever revenues from taxes and the sale of treasury notes fall short of expenses. That's the easy part. Who wouldn't loan money to Uncle Sam? The hard part is the taxpayer has to pay the money back! The bigger the deficit becomes, the more money the government borrows. That takes money away from the private sector. Of course, that hurts the overall economy, and makes less money available for individuals and businesses. It's a vicious cycle that feeds on itself.

This is a short, but important report. lt contains valuable information. Read it carefully, and you will have a better understanding of how applicants are rated, and what you can do to improve your credit rating. The "Credit Scoring System" is a nothing more than a numbers game. Most creditors use something like it to rate applicants Like most games, the more "points" you score, the better you do. So get out a pencil and paper and we will take a closer look at a typical system:

The first factor you can't do anything about: Your Age. Yes, you could lie, but don't. With all the interlocking computer systems in use today, somebody, somewhere, probably has the true story. While it's only one element, if a creditor catches you in a lie, even if it's just about your age, they aren't going to trust the rest of the information you provide either, and you will probably not get the loan.

Under 21? Score zero points. 24 to 64 years of age give yourself one point. Over 65? Zero points.

The next question is your marital status. Unmarried, sorry pal most creditor's think you're a higher risk, no points for you What's that? You are married? Give yourself one point. Most creditors don't care if you divorced. If you are, and not remarried give yourself zero points.

Next question: How many dependents: Unlike Uncle Sam who gives you bigger deductions as your family grow in size, creditors think differently. No dependents? Score zero. One to three dependents? Score one point. More than three dependents? Score zero. The thinking is, if you don't have any dependents you have no attachments, you could skip town, not pay off that loan. You have up to three mouths to feed, chances are good you can't pull up stakes and run away. More then three, you could get in debt over your head so you become a poorer risk again, but for a different reason.

Where do you live? In a trailer park, motor home, with parents, relatives, friends? Wrong answer. Same reasons as previous question. You could run, and not pay off the loan. You got to put down some roots. Score yourself zero points. Rent an apartment? Give yourself one point. Own a home with a big fat mortgage? Good for you. Score three big ones! Why? Somebody already checked you out pretty good for you to get that mortgage, so you're probably a pretty good risk. Own your home free and clear? Even better. Give yourself four points. You already established you can take on a sizable debt and pay it off, so you get a bonus point.

Previous Residence? Zero to five years, some creditors only go to three years. Then score zero points. You move around too much! Over five years? Good. Score one point.

Years on Job? The longer the better. Less then one year at present employer? Sorry, no points for you! One to three years? Give yourself one point. Four to six years is worth two points. Over seven years at the same company score three points.

What kind of Job? Unskilled? You still get one point. At least you have a job! Skilled? Two points. Professional? Three points. The creditor decides the classification. Use common sense, when scoring yourself.

Monthly Income? Should be obvious, the more the better! Under $800 a month earns you one point. Up to $1,000 gives you two points. Pull down $1,500 gives you three points. Over $1,800 gets four points. This score can vary quite a bit with different creditors. Depends on part of the country you live in, type of job, many other factors.

How deep are you presently in debt? Nothing to $300 per month earns you two points. $301 to $500 gives you one point. Anything over $500 in most cases earns you no points.

Previous Credit History: Very important to all creditors. It's your track record and is a good indicator of how you should pay off debt in the future. All creditors belong to at least one credit reporting agency. Information is shared. If you have a good credit history with the company you're seeking the loan from, all the better. Of course they believe their own information more then somebody else's. So if you paid off a loan with them with no problems, most give you four to five points. Good record with other creditors should earn you two to three points.

Other Information: Having a saving and or checking account with a balance over $500 helps, if it's not something you just opened a few weeks ago. Should have been at least a couple years to do you any good. Most creditors give you a couple points. Phone in your name? gets you another two points.

OK now ad up your score. Remember the more points you score the better credit risk you are. Most creditors have a cut−off around eighteen points. Some will go as low as fifteen points, other higher then twenty. Again, it depends on availability of funds and built−in bias of the creditor that you applied to. If turned down try somebody else!

A few points away from the cut off? Well, you may be able to cheat a little. Not recommended, but if you're only a couple points away you may get your employer to say you worked longer then you have, or that you earn a little more then you do. If you don't rent or have a mortgage try an improve this situation to earn more points. Also consider building up your credit record by getting a secured loan. You will be usually issued a credit card as well. Not every bank provides this service, but a surprising number do. The only catch is of course you can't touch the money in the account, and if you don't pay off your credit card balance in full each month you will rack up quite a bit of interest charges on top of whatever you charge with the credit card. Secured loans are not based on credit history because you put up funds equal to the loan. It's a safe deal for the bank and can help improve your credit rating. The catch is it takes time to build up your credit rating.

Another method is to open a regular savings account and deposit $200−$500. Leave it there 30 to 60 days, then get a loan on the account. Pay the loan off before the due date. Withdraw part or all of the money. Open another account at some other bank. Repeat the process over and over. Your local credit bureau will get good reports on you, and before you know it, your mail box will be stuffed with offers for free credit cards − no more secured accounts, and you should have an easier time of obtaining credit. If all else fails, try to get a smaller loan, or see if someone is willing to co−sign.

Best Car Loan Rate - How To Get The Most From Your Credit Score

By Carrie Reeder

Your credit score is the most important factor to getting the best car loan rate. Many shoppers make the mistake of going to the car dealership and applying for a loan before checking their credit report and score. By checking your credit score ahead of time, you will know where you stand before seeking a lender. If you have an excellent credit score, you should expect the best car loan rate possible. Do not expect the lender to tell you that you could save money by applying for a loan elsewhere. Make sure you do your homework before applying for the loan. The little time that it takes to receive your credit report from the three major agencies could end up saving you a lot of money.

Understanding Your Credit Score

Your FICO credit score is more than just a number. Understanding how your credit score is determined can help you to maintain or improve your credit rating. Most credit scores will range in number from 300−850 points. The higher your number, the better your credit rating. Your credit score will be determined by five different categories. Some items will have a greater affect on your credit score than others.

1) How timely you pay your bills carries the greatest amount of weight on your credit rating. While it is a good idea to always pay your bills on time, lenders will look more at your recent payment history.

2) Amount of debt− lenders will look at your total debt and the outstanding debt on your credit cards. It is a good idea to keep credit card balances well below the maximum amount allowed.

3) Length of your credit history− how long have you had open credit accounts? Do you use credit on a regular basis.

4) How many credit accounts do you have open? What types of credit accounts do you have?

5) Recent credit inquiries and newly opened accounts - lenders will look unfavorably upon your credit record if you have had numerous recent credit inquiries or if you have opened several new credit accounts in a short period of time.

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http://www.abcloanguide.com/autoloans.shtml

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