



Craig Brindley's
Second Chance Program

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Raise your Credit Score 50 Points in 50 Days

Paying a collection account can actually reduce your credit score. Here's why:

Credit scoring software looks at the date of last activity on the credit report to determine the impact it will have on the credit score. Collection agencies will update your credit report to say "Paid Collection" whenever you pay a collection. This will in turn make the date of last activity current and the credit scoring software sees it as recent collection activity and lowers your score. This is a flaw in the scoring software that is unfair, but it is something you have to work around when trying to maximize your score. The best way to handle this problem is to contact the collection agency and tell them that you are willing to pay, but you want a letter stating that they will delete the account when paid. Some collection agencies will do this, some will not, but getting the account completely deleted will increase your score and is definitely worth the effort.

Past Dues destroy a credit score.

If you look at the delinquent accounts showing on your credit report, you will see a column called "PAST DUE". If you see an amount in this column, I suggest paying the creditor the amount that shows. Credit scoring software penalizes you for having accounts with an amount in the past due column.

Paying a charge-off or a lien won't help or hurt unless it occurred within the past 24 months.

Charge offs and liens have a serious negative affect on your credit score, but after the charge off or lien is more than two years old, paying it will not improve the score dramatically. If you have limited funds available, I suggest using it to pay past due balances first, then pay collection agencies that agree to delete the reported collection if you pay them off.

Call all of your creditors that show late payments on your report and ask them if they will give you a *Good Faith Adjustment* and remove the late payments on your account.

Be persistent if they refuse and remind them that you have been a good customer and would deeply appreciate their help. If they still refuse, then call back and try with someone else. Persistence and politeness pays off in this scenario. If you are rude, they will definitely not be very helpful.

Make sure that each of your creditors reports your credit limit.

When you have an account on your credit report, and the creditor does not report a credit limit for the account, it will cause your credit to score lower – just as if the balance is maxed out to its limit. Therefore, if someone has a \$5,000 balance on a credit card and the credit limit doesn't get reported, the scoring software will score the account as having a credit limit of \$5,000. If you know that you have a \$10,000 limit on your credit card, make sure that the limit shows on the credit report. Otherwise, you will get scored as though you are maxed out on that card. The credit scoring software likes to see that your credit card balances are as close to zero as possible, but if that is not feasible for you to do, follow these guidelines to ensure you are maximizing your score as much as possible under your current circumstances. There are certain levels that the scoring software will penalize you for even more if you go beyond them with your credit card balances. Being over 70% of your limit on any card is the worst thing you can do. The next threshold amount you want to get under is 50% and then 30%, but as close to zero as possible. Remember that it is also important to know that your score will be higher if you evenly spread your credit card balances among all of your credit cards rather than have the entire balance on one credit card. Therefore, if you owe 50% of your credit limit in debt and you have three credit cards with \$3,000, \$5,000 and \$10,000 limits respectively, you should have a \$1,500 balance on the first card, \$2,500 on the second and \$5,000 on the third rather than carry the entire \$9,000 on the one card with a \$10,000 limit. Structuring your credit balances in this manner will help to maximize your credit score.

Do not close credit cards except in certain circumstances.

If you have more than six department store cards, close the newest cards. Otherwise, do not close any at all. Closing a credit card can hurt your credit score because it will increase your debt ratio since you'll have less credit available after closing the card and the same total balance owed. When you owe \$10,000 in credit card debt and have limits totaling \$20,000 you are at 50% of your total credit, but if you close a \$5,000 card you will only have \$15,000 total in credit card limits and now owe 66% of your limit. Never close a credit card unless it was opened within the past two years and you have over six credit cards. To maximize your score, the magic number of credit cards you want to have is 3 to 5, but having more won't significantly affect your score.

15% of the credit score is determined by the age of the credit file.

The credit scoring software assumes people who have had credit for a long time are less risky. That is why it is better to keep old credit cards open, even if they have horrible interest rates, because closing those cards will decrease the average length of time you had credit. Make sure to use the card at least once every six months to avoid the account being rated as "Inactive". When you don't use a credit card for six months it gets updated on your credit report as being inactive. An inactive account is ignored by credit scoring software and you won't get the benefit of the positive payment history and low balance that card may have. Use every credit card you have at least once every six months to avoid

this problem. Get gas once every six months on each credit card and pay the cards when the bills arrive. This will ensure that the account remains active and will be counted positively when determining your score. The one thing all scores over 800 have in common is a credit card that is twenty years or older.

The Cost of Weak Credit

- **Home Financing**

A 30-Year Fixed Rate with a loan principal amount of \$150,000

FICO Score	APR Rate	Monthly Payment	Interest Paid
720-850	5.861%	\$886	\$168,947
700-719	5.986%	\$898	\$173,271
675-699	6.523%	\$950	\$192,134
620-674	7.673%	\$1,067	\$233,993
560-619	8.452%	\$1,148	\$263,378
500-559	9.234%	\$1,232	\$293,619

Example: If your FICO score ranges between 500-559, you could benefit by improving your credit profile:

If your score improves to 720-850, you could save an additional **\$124,671**

If your score improves to 700-719, you could save an additional **\$120,347**

If your score improves to 675-699, you could save an additional **\$101,485**

If your score improves to 620-674, you could save an additional **\$59,625**

If your score improves to 560-619, you could save an additional **\$30,241**

- **Automobile Financing**

\$20,000 car paid over 5 years:

FICO Score	APR Rate	Monthly Payment	Interest Paid
720-850	5.201%	\$379	\$2,756
690-719	5.906%	\$386	\$3,147
660-689	8.069%	\$406	\$4,371
625-659	10.829%	\$433	\$5,989
590-624	14.884%	\$475	\$8,475
500-589	17.343%	\$501	\$10,045

Example: If your FICO score ranges between 500-589, you could benefit by improving your credit profile:

If your score improves to 720-850, you could save an additional **\$7,289**

If your score improves to 690-719, you could save an additional **\$6,898**

If your score improves to 660-689, you could save an additional **\$5,674**

If your score improves to 625-659, you could save an additional **\$4,056**

If your score improves to 590-589, you could save an additional **\$1,570**

Credit Cards

Most of the time you cannot even get an unsecured credit card with bad credit. If you do, the rates are very high and you usually have to pay high annual fees and other charges. The limits are typically low and the credit card issuer often asks for a cash deposit.

Where do I begin?

To achieve your financial goals, nothing is more important than good credit. And because nothing is more important to us than our customers, we want to help you. In addition to following the suggestions contained in this report, call me for information about our **Second Chance Program**. When you enroll in this credit re-building program, we will help guide you down the path to home ownership. Each quarter, we will review your credit report and coach you on your progress in re-establishing your good credit.

In addition, we are proud to recommend **CreditGUARD Coach**. This completely secured web site offers four reports that will help you manage your credit and achieve your goals. Call me for additional information and I will e-mail you a link to this powerful web site.

CreditGUARD Coach offers the following:

Free Credit Report

An easy-to-read version of your credit report is available on line and in seconds. CreditGUARD Coach also gives an in-depth explanation of the information your credit report provides. While in most cases a credit report inquiry can actually negatively affect your credit score, CreditGUARD Coach uses a "soft inquiry" credit pull, which does not show up as an inquiry on your credit report.

Coach Credit Analysis

A detailed analysis of your credit report is provided and more importantly, personalized step-by-step instructions on how to improve your credit score and save money in the process.

Coach Budget Analysis

CreditGUARD Coach evaluates your debt load compared to standard budget benchmarks and helps strengthen your ability to repay a future loan and ensure a stronger financial future.

Coach Credit Scout

Plus CreditGUARD Coach offers a FREE 30 day-trial of Coach Credit Scout. Coach Credit Scout helps you manage and monitor your credit - 365 days a year! Daily e-mail alerts help protect you from Credit Fraud and combat Identity Theft.

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Call Craig M. Brindley today!

Residential Mortgage Specialist

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