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## **Little Known Secrets That Will Help Improve Your Credit**

### What Is a Credit Score?

A credit score is a number computed by a credit bureau and used to indicate how likely a consumer is to pay back a loan. Your score is computed by a computer program (also referred to as a mathematical or computer “model”) that takes certain data from your credit bureau file and uses that data to calculate your score.

Each of the three credit bureaus computes your score using a similar computer model. The model was created by the Fair, Isaac and Company, Inc., (hence the term “FICO” score) and is sold to the three major credit bureaus for their use with their data. If the information about you at all three credit bureaus is the same, then your score from each of the three bureaus should be essentially the same. However, the information about you can be different at the three bureaus.

### What Type of Data Is Used to Calculate My Credit Score?

Your credit score is based on credit-related information—both positive and negative—in your credit-bureau file, including:

- \* Payment history
- \* Outstanding debts
- \* Credit history
- \* Inquiries and new account openings
- \* Types of credit in use

### What Type of Data is NOT Used to Calculate My Credit Score?

Your credit score is not based on information about your race, color, national origin, religion, gender, marital status, or age. It also doesn’t use information about your income or assets. However, income, assets, and other factors are used in other ways by lenders to help them decide whether to lend you money.

### Why Would My Data Be Different at the Three Credit Bureaus?

Different lenders—such as credit-card companies, stores, finance companies, landlords, utility companies, etc.—report to different credit bureaus. Some report to all three; some to only one or two. So it's possible that each of the three bureaus might have different information about you. It's also quite possible that one or more of the three bureaus has incorrect information about some of your accounts.

You should periodically (about once a year) get a copy of your credit report from each of the credit bureaus and check them for accuracy. If you find an inaccuracy, you should immediately request that it be corrected. Your credit report should have information about how to request corrections. Or, you can contact the credit bureaus at the addresses and telephone numbers below:

(1) Equifax Information Services, LLC  
PO Box 740241  
Atlanta, GA 30374  
800-685-1111  
[www.equifax.com](http://www.equifax.com)

(2) Experian  
701 Experian Pkwy.  
PO Box 949  
Allen, TX 75013  
888-397-3742  
[www.experian.com](http://www.experian.com)

(3) TransUnion LLC  
Consumer Disclosure Center  
PO Box 1000  
Chester, PA 19022  
800-888-4213 800-916-8800  
[www.tuc.com](http://www.tuc.com)

### Who Uses Credit Scores?

Lenders, including credit-card companies and mortgage companies, use credit scores to help them decide whether lending you money would be a good risk for them. They also use other information about you, such as your income, assets, debt-to-income ratio, employment information, etc., to help them make a decision.

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### What is a Good Credit Score?

The number that is considered “good” varies from lender to lender and from loan “product” to loan product. However, most lenders consider a score below about 620 to be bad and a score above 800 to be very good. These designations are based in part on the following data from Fair, Isaac and Company.

Consumers’ Credit-Score Range vs. Number of Good Loans (paid on time) to Bad Loans (not paid on time or defaulted on)

Below 600	8 good for every 1 bad
700-719	123 good for every 1 bad
Above 800	1,292 good for every 1 bad

### Why Is It Important to Have a Good Credit Score?

Based on the above data, you can understand why a lender is more willing to lend money to someone with a higher credit score—the lender is less likely to lose money. So, if you want to borrow, it is in your best interests to have a good credit score.

It’s not that you can’t get a loan if you have a low credit score; it’s just that if you do, you’ll likely have to pay a higher interest rate. Why? Because, statistically, the lender is more likely to lose money on you—you are statistically more likely not to pay back the loan as agreed upon.

### What Can I Do to Improve My Credit Score?

So, how do you improve your credit score? While there is no “guaranteed” formula for doing so, obviously the better your payment record, the better off you’ll be. Let’s look at some things you can do:

1. First, get a copy of your credit report from all three credit bureaus. Because your score is based on the data in your files, you should make sure that the data is accurate. Request that any incorrect data be corrected. Then follow up by getting another copy of the report to make sure that it has, indeed, been corrected.

2. Request that all three bureaus not accept unauthorized inquiries. Many credit card companies, finance companies, etc., inquire about your credit history. That’s why you get those “pre-approved” credit card and home equity offers in the mail. However, those inquiries can hurt your credit score. Similarly, you should not apply for a bunch of credit cards or credit lines,

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especially if your credit history is not good or you have a lot of debt and are likely to be turned down. That can also hurt your credit score.

3. Be sure to have established a credit history—a good one! If you can, you should have about three credit cards that you pay the minimum on—on time—every month. If you don't have any credit cards or loans, that can hurt your score, too. So can too many. If you don't qualify for a regular credit card, apply for a "secured" card. With a secured card, you put money in an account and get a credit card with a limit based on a percentage (sometimes 100%) of that amount. Your payment history on the card is reported to the credit bureau and helps you establish a payment history. NOTE: Debit cards do not help you establish a credit history because they work like checks drawn against your checking account.

4. Minimize finance-company loans. It's better not to have any.

5. Keep up your good payment record. Don't slack off. The longer you pay on time, the more points you get. Your payment history and current payment pattern are important.

6. If you have derogatory public information (bankruptcy, foreclosure, collections, etc.) in your file, the more time that has passed, the better. Better yet, don't do anything that will result in that type of derogatory information in your file.

The world of credit repair and management is continually changing. For additional information on "Building a Better Credit Report", visit:  
<http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre03.htm>

To protect your credit rating, I strongly recommend having an Identity Theft Protection Plan. Visit <http://www.bankruptcyloans.info/identity-theft.cfm> for more information on Identity Theft and Identity Theft Protection.

I hope you found this useful. Please feel free to drop me a line to give me your feedback at [anthony@atozlander.com](mailto:anthony@atozlander.com)

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