

Improving Your Credit Score

While credit opportunities are opening up for consumers, poor credit ratings are blocking the doors of opportunity. Lenders are stopped when loan applicants can't show good credit ratings.

It behooves consumers to know the score when it comes to credit rating. Mortgage company decisions, as well as other lending decisions, are very credit score driving. On your credit report are three scores assigned to you by the three major credit bureaus. Scores range from 350 being poor to 800 being excellent. While the exact formula they use to reach these scores is their trade secret, I believe the following credit issues have a direct impact on your score.

Paying With Cash if you can afford it, you can afford to pay for it with cash. Purchases cost less with cash or check. Leave your credit cards at home; don't make it easy for yourself to get caught in the credit trap. Keep at least one credit card account open for major purchases, two accounts maximum. Your scores are built on recent history. Close accounts you do not use. The amount of credit you have access to affects your score. If you keep credit cards with open balances use them prudently. I have found lay-away gives you time to think about purchases you cannot live without.

Avoiding Impulse Buying

Would you buy those items you really do not need if you knew it would cost you two weeks out of your work life to pay for them, three and a half weeks on a credit card? Credit purchases should be limited to major purchases. Ask yourself will the item you cannot live without even be around until the bill is paid? Credit use should be limited for at least three months before applying for a mortgage, or other lending.

Credit Inquiries should be held to a minimum, multiple credit inquiries are looked upon negatively. Free annual credit reports should be shown before allowing credit to be run. Especially when car shopping, never give out your information until you are ready to buy. You can request your social security number not be on your drivers license so others have less chance to use it without your knowledge.

Past Due Accounts you must pay your bills on time. Payments received after the due date may show as late payments on your credit report. If you are not able to pay your bills on time, contact the creditor and inform them. They sometimes will not inform the credit reporting agency if you show them that you are sincere about making your payments on time. Remember later payments stay on your credit report for at least six years and they can greatly affect your ability to borrow money.

Bankruptcy should almost never be an option for a wise consumer. Do not get your self financially out on a limb and drastic measures will not be necessary. Bad luck will befall all of us at one time or another and the best thing to have for bad luck is money in the bank. Work towards building cash reserves of at least three to six months for when you should happen to have a little bad luck. Remember bankruptcy is taking with a credit card instead of a gun. You enjoyed the merchandise or services you should pay for them.

Obtaining New Debts automobile loans are the single largest problem area for potential homebuyers. New cars should not be purchased for at least a year before applying for a mortgage. A good late model used car approved by a good mechanic is often the best buy. Try to finance the

lowest amount by coming up with a larger down payment and financing the auto for a shorter amount of time. Remember live within your means. Just because you can afford the payment on a Mercedes does not mean you should get rid of your Buick. All major purchases especially cars, should be made after closing on your new home.

Clean Up Your Act past due accounts should be brought current and kept current for at least six months before applying for a mortgage. Collections, charge-offs and judgments should be paid and 0 balance letters obtained, before starting your home buying experience. Try calling the creditors or collection companies and negotiating a discount on the outstanding debt.

Education start preparing yourself for the purchase of your new home by attending a free home buying seminar. Obtain and read as much information as possible on financial matters such as Charles J. Givens' book, "Wealth Without Risk," an excellent resource. His chapters on debt restructuring, tax deductions and small business deductions are simple yet highly effective. Consult a professional before implementing any new financial strategies tax laws are changing daily.

Financial Freedom if you decide not to follow these simple suggestions, do not waste your time calling a bankruptcy attorney. This is simply throwing good money after bad in many cases. You can use the money for high-priced legal fees to pay on your debts. Ten years of having bad credit ratings for the filing of a bankruptcy may not be worth it. Call a not-for-profit credit counseling agency for assistance because most financial problems are not from a lack of money, but from a lack of knowledge.

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