

New Special Confidential Report

*“The Insider Secrets to Credit Scoring Myths,
Scams and Rip-Offs That Credit Repair
Companies Don’t Want You to Know”*

By

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In this report you’ll discover:

- **The mysterious truth about credit scores and how they are calculated**
- Why only 50 points difference in your credit score can cost you or save you thousands of dollars in interest every year
- **Dispelling the top ten credit myths that everyone is led to believe are true**
- 13 popular credit rip-offs run everyday by companies you thought were reputable

Dear Friend,

In this special report I'm going to take you on an amazing journey through the world of credit. I'm going to destroy the myths and reveal all of the insider secrets to you about how credit is determined, used and misused in the credit industry.

As you read along, please have a pen in your hand and a few sheets of paper by your side. This is because you're about to discover a treasure trove of information that can save you thousands upon thousands of dollars in your lifetime and you'll want to take detailed notes as you go along. In my personal opinion, no more than 5% of people really understand credit. Most seem to make the same mistakes with their credit... over and over again, without realizing it.

So, sit back, relax and let the discovery begin!

Introduction

We hear the term "credit" just about everyday. We apply for and use credit on a regular basis, yet most people don't have a clue about what credit really is, how it works and how it affects our lives currently and for years in the future. Credit is more than just a plastic card you use to buy things—it is your financial trustworthiness.

Good credit means that your history of payments, employment and salary make you a good candidate for a loan, and creditors—those who lend money or services—will be excited to work with you. Having good credit usually translates into lower payments and more ease in borrowing money. Bad credit, however, can be a major problem. If you have bad credit, you will have trouble getting a car loan, a credit card, a place to live and, sometimes a job.

A bad credit history can haunt you for a very long time—seven years or more. That's why the best thing to do is learn how to maintain good credit before there's a problem. The only way to do that is to know the ABSOLUTE TRUTH about what factors create a good credit score. Equally important is recognizing and avoiding the many credit scams played on people by companies that, at first glance, appear to be looking out for their best interest.

Consumer Reporting Agencies

If you've ever applied for a credit card, a personal loan, or insurance, there's a file about you. This file contains information on where you work and live, how you pay your bills, and whether you've been sued, arrested, or filed for bankruptcy.

Companies that gather and sell this information are called Consumer Reporting Agencies (CRAs). The most common type of CRA is the credit bureau. The information CRAs sell about you to creditors, employers, insurers, and other businesses is called a consumer report.

Credit bureaus collect and sell four basic types of information.

Identification and Employment Information -Your name, birth date, Social Security number, employer, and spouse's name are routinely noted. The credit bureaus also may provide information about your employment history, home ownership, income, and previous address, if a creditor requests this type of information.

Payment History - Your accounts with different creditors are listed, showing how much credit has been extended and whether you've paid on time. Related events, such as referral of an overdue account to a collection agency, may also be noted.

Inquiries - Credit Reporting Agencies must maintain a record of all creditors who have asked for your credit history within the past year, and a record of those persons or businesses requesting your credit history for employment purposes for the past two years.

Public record information -Events that are a matter of public record, such as bankruptcies, foreclosures, or tax liens, may appear in your report.

What is Credit?

There are many ways to borrow money, but there are only four types of credit:

1. **Secured credit** is backed by collateral.
2. **Unsecured credit.** The lender extends credit to you based upon your ability to repay the loan. You do not give collateral to back up the loan.
3. **Installment Credit.** This type of credit can be either secured or unsecured. You are granted a loan or credit which must be repaid in payments or installments over a specific time period.
4. **Non-installment credit** can be secured or unsecured credit which is repaid in one payment by a specified date – typically within 90 days.

What is a Credit Score?

A credit score is a number that reflects your credit worthiness at a given point in time. People with higher scores obtain mortgages, credit cards, loans and insurance at more favorable rates. Conversely, the lower the score, the less a favorable the terms will be on any offer that is made. The credit score is based upon data in your credit report.

What is a Good Score?

The general scoring range is 300 – 850. Fair Isaac divides the scoring range into five risk categories:

780 – 850 – Low Risk

740 – 780 – Medium to Low Risk

690 – 740 – Medium Risk

620 – 690 – Medium to High Risk

620 and Below – High Risk or “Sub-Prime.”

How Your Credit Score Affects You

Businesses inspect your credit history when they evaluate your applications for credit, insurance, employment, and even leases. They can use it when they choose to give or deny you credit or insurance. Good credit is even required nowadays to rent an apartment, lease a car or get a student loan.

If your credit score is high enough, you'll qualify for a lender's best rates and terms. The worse your credit score, the more you pay for mortgages, loans, credit cards, and insurance. Conversely, the better your credit score, the more favorable terms you will get on interest rates and premiums.

A consumer with excellent credit (credit score of 720 to 850) would pay about 7.8% for a home equity loan, while a consumer with marginal credit (640 -659) would pay 9.2% and a consumer with poor credit (500 -599) would pay a 12.1% rate. The rate swings for a new car loan are even greater, with good credit risks paying 5.2%, moderate risks paying 11.4% and poor risks pay a whopping 17.2% interest rate. One delinquent account can lower a credit score from 70 to 120 points.

How your Score is Calculated

The FICO model is set up to place more value on current behavior than past behavior. That means that the effect of your old credit troubles lessens over time if you start handling credit more responsibly.

However, the reverse is also true. The scores are designed to react strongly to signs that a once good risk might be turning bad. That's why someone with a good score might suffer more heavily from a late payment.

In general, it is a lot easier to lose points than it is to gain them back, which is why it's so important to know how to improve and protect your score.

Five Most Important Factors in Credit Scoring

Factor 1 – Payment History (35%)

Payment history is the single most important factor because the very first thing any lender wants to know is whether you have paid past credit accounts ON TIME.

The factors that are considered in calculating your payment history include:

- Payment History with various lenders
- Length of Positive Credit History
- Length of Time that has passed since the most recent negative item
- Severe Unpaid Debts – Public Records
- Severity and Quantity of Delinquencies

Factor 2 – Amount Owed – Extent of Indebtedness (30%)

Believe it or not, the FICO system wants you to have debts, but not too much. It sets standards to determine whether or not you manage your debts responsibly.

- Quantity of Credit Accounts
- Ratio of Credit Balance To Credit Limit
- The amount owed on all accounts
- The amount owed on each type of account

Factor 3 – Length of Credit History – The longer, the better (15%)

You can have a good score with a short history, but typically the longer you've had credit, the better.

- Overall Length of Credit History
- The duration of time you have had specific credit accounts established
- The length of time it has been since you used certain accounts

Factor 4 - How much new credit are you assuming? (10%)

This category generally is to flag people who are suddenly seeking new lines of credit, possibly indicating they are about to overextend themselves, or possibly already are getting in over their heads. The score factors the following:

- The number of new accounts, particularly credit card accounts
- The amount of time that has past since you opened a new account
- The number of recent requests for credit you have made as indicated by inquiries into the credit bureaus.
- Length of time since credit report inquiries were made by lenders
- Whether you have a good recent credit history, following past payment problems.
- This is crucial for people trying to re-establish their credit by making payments on time after a period of late payments to help raise a score over time.

Factor 5 – Type of Credit (10%)

To get the highest possible scores, you need to have both revolving debts like credit cards and installment debts like an auto loan, mortgage or personal loan. These latter loans don't have to still be open to influence your score. But they do still need to show up on your credit report.

Credit Scoring Myths

Myth #1 – Closing Credit Accounts Will Help Your Score

Once you have opened the accounts, you have already done the damage. You can't undo it by closing accounts. In reality, closing revolving credit accounts can never help your score, but could hurt it.

Myth #2 – You Can Boost Your Score By Asking Your Credit Card Company to Lower Your Limits

Narrowing the gap between the credit you use and the credit you have available to you can have a negative effect on your score.

If you want to help your score, fix the problem from the other end – paying down your debt. Increasing the gap between your balance and your credit limit has a positive effect on your score.

Myth #3 – You Can Hurt Your Score by Checking Your Own Credit Report

This is one of the biggest myths about credit scores that people fear. The people at Fair Isaac understand that you need to review your own data, which is why the FICO formula ignores any inquiries generated when you check your own reports and scores.

The way you can hurt yourself is if you ask a lender to check your score. When a lender pulls your credit, it generates what's known as "hard inquiry" – and those are counted against your score.

Myth #4 – You Can Hurt Your Rates by Shopping Around For the Best Rates

The creators of the scoring formulas know that smart consumers want to shop around for the best rates, particularly on cars and homes. That's why the FICO formula bundles all mortgages and auto related inquiries made within 14 days and counts it as one inquiry. Also, any inquiries made in the 30 days before the score is created are ignored. If you do your shopping for a car loan or mortgage in a concentrated period of time and get the loan before the 30 days to get your loan approved, as frequently happens with mortgages, you should be okay if your rate shopping was confined to a two week period.

Myth #5 – You Don't Have to Use Credit to Get A Good A Good Credit Score

Some people, especially conspiracy theorists, are so suspicious of credit that they advise giving up credit cards and living on a cash only basis. They acknowledge that most people need mortgages and loans, but they feel the best way to impress a lender is by living a credit free life.

The credit scoring is designed to see how well you handle credit over time. If you have no credit, the formula won't have enough information to make an assessment. You do not have to live in debt to get a decent score, but you do need to use credit.

Myth #6 – You Have to Pay Interest to Have a Good Credit Score

You do not need to carry a balance on your credit cards and pay interest to have a good credit score. The FICO formula makes no distinction between balances you carry month to month and balances for any reason, and certainly do not to improve their scores.

Myth #7 – Adding a 100 Word Statement to Your File Can Help Your Score If You Have an Unresolved Dispute With a Lender

Federal law does give you the right to have such statements attached to your credit file. Unfortunately, the credit scoring formula can't read. It calculates scores based upon how items on your credit report are coded, and these 100 word statements aren't coded at all so they're not counted.

Myth #8 – Your Closed Accounts Should Read "Closed By Consumer" Or They Will Hurt Your Score

The thought process behind this is that lenders will see a closed account on your credit report and, if not informed, will assume that that a creditor closed your account because you were somehow at fault.

The truth is that many lenders never actually see your report. They're just looking at your credit score, which does not make a distinction between who closed the account.

Myth #9 – Credit Counseling Is Worse Than Bankruptcy

This is not true. A bankruptcy filing is the single worst thing you can do to your credit score. By contrast, the current FICO formula completely ignores any reference to credit counseling that might be on your credit report. Credit counseling is treated as a neutral factor, neither helping nor hurting your score.

Credit counseling is not something you should use simply to lower interest rates or to create one place to send your bills instead of many. Use it only as a last resort against bankruptcy.

Myth #10 – Bankruptcy Hurts Your Score So Much that it's Impossible to Get Credit

Bankruptcy certainly does deliver a devastating blow to your credit score, but that certainly does not mean that you cannot get credit afterwards or even that you have to wait very long.

You can get a mortgage in as little as six months after your bankruptcy is discharged (completed). You might also get credit card offers even before your case has closed.

13 Credit Rip-Offs to Avoid

Scam artists know that the people that are the most eager and often desperate for credit are the most vulnerable to credit scams. Most credit scams are blatantly illegal. Others take advantage of the borrower so badly that they are reprehensible.

Credit scams, like all other scams, prey upon the ignorance and desperation of its victims. Some of the largest corporations in America routinely take advantage of people to a point just shy of being illegal. What they do is certainly immoral and often unethical. The best defense against these corporate monsters is knowledge. Below I have exposed some of the worst scams run on unsuspecting people.

Advance-Fee Loan Scams

Advance-fee loan sharks are preying on unwary consumers, taking their money for the promise of a loan or credit, and leaving them in hot water. The scam artists often impersonate legitimate lenders to entice consumers into falling for their bogus offer.

Many advance-fee loans are promoted in the classified sections of daily and weekly newspapers and magazines. The loans also are promoted through direct mail, radio, and cable TV spots. The fact that an ad is in a legitimate media outlet — like the local newspaper or radio station — doesn't guarantee that the company placing it is trustworthy.

Legitimate offers of credit do not require an up-front payment. Although legitimate lenders may charge application, appraisal, or credit report fees, the fees generally are taken from the amount borrowed. And the fees usually are paid to the lender or broker after the loan is approved.

Credit Repair Scams

You see the ads in newspapers, on TV, and on the Internet. You hear them on the radio. You get fliers in the mail. You may even get calls from telemarketers offering credit repair services. They all make the same claims:

"Credit problems? No problem!"

"We can erase your bad credit-100% guaranteed."

"Create a new credit identity-legally."

"We can remove bankruptcies, judgments, liens, and bad loans from your credit file forever!"

Do yourself a favor and save some money too. Don't believe these statements. The truth is, they can't deliver. After you pay them hundreds or thousands of dollars in up-front fees, these companies do nothing to improve your credit report; many simply vanish with your money.

The Warning Signs: If you decide to respond to a credit repair offer, beware of companies that:

- want you to pay for credit repair services before any services are provided;
- do not tell you your legal rights and what you can do-yourself-for free;
- recommend that you not contact a credit bureau directly;
- suggest that you try to invent a "new" credit report by applying for an Employer Identification Number to use instead of your Social Security number; or
- advise you to dispute all information in your credit report or take any action that seems illegal, such as creating a new credit identity. If you follow illegal advice and commit fraud, you may be subject to prosecution.

You could be charged and prosecuted for mail or wire fraud if you use the mail or telephone to apply for credit and provide false information. It's a federal crime to make false statements on a loan or credit application, to misrepresent your Social Security number, and to obtain an Employer Identification Number from the Internal Revenue Service under false pretenses.

Credit Card Cash Advances and Cash Advance Checks

This is done by many banks to force you into a high interest loan. When you try to cash a check at a branch of the bank where you have your account, the teller refuses stating that it is against bank policy to cash checks from its other branches. The teller then suggests that will alternatively give you a cash advance on your bankcard.

Once you accept the cash advance, you are responsible to pay high interest since most banks eliminate the interest free period on bankcard cash advances. If the bank eliminates the interest free period because of the cash advance, it can do so on the entire balance of your bill. You could end up paying as much as 285% interest even though you fully paid the entire cash advance within 30 days.

Overdraft Protection

This pseudo-protection is simply another variation of the cash advance scheme. The basic way it works is if you write a check that exceeds what you have in your account, the bank will honor the check and charge it to your credit card account. The bank entices people by emphasizing that by subscribing to this service you will avoid bouncing checks and the bounce check fees associated with it.

What they don't tell you is that because protection is usually rounded to the nearest 100 dollars, if you exceed the balance in your checking account by even one nickel, the bank advances you the full \$100. You are therefore liable for all other costs associated with the credit card cash advance. The bank will apply the extra \$99.95 that it forced you to borrow –reducing your available credit line – and benefit from the interest it will now collect on the loan.

Waiver of Minimum Monthly Payment

You get numerous offers from credit card companies - especially around the Christmas holidays and other high spending times - to “waive your monthly minimum payment.” What they don't tell you is that even though no minimum payment is required that month, you will continue to accrue interest.

If you take advantage of the offer, you simply increase your debt. If your debt is already high, and you accept this offer a few times a year, you will significantly increase your debt and pay considerable interest on that debt. If you have a debt of only \$2,000 with 18% interest, and you pay the minimum (2.5% of the debt), you will end up paying a whopping \$4,230.83 over the twelve years and nine months it will take to pay it off.

No Payments for Six Months on High Priced Sales Items

This scam used by department stores is very similar to when credit card companies waive their monthly minimum. I'm sure you have seen ads that say you can buy a high priced item today and make no payments for six months. What the ads fail to mention is the fact that when you receive the bill in six months it will include finance charges for the entire six months.

Credit Card Registration Service

For an annual fee, companies will notify the issuers of your credit card and your ATM or debit card accounts if your card is lost or stolen. This service allows you to make only one phone call to report all card losses rather than calling individual issuers. Most services also will request replacement cards on your behalf.

What you need to consider is that it is highly unlikely that you will lose all of your credit cards. If you pay \$15 a year for the protection, it will cost you hundreds of dollars over the years. This is a hefty price to pay when all you have to do is call a few toll free numbers if you ever lose your cards.

Credit Card Loss Protection Services

Don't buy "loss protection" insurance. Telephone scam artists are lying to get people to buy worthless credit card loss protection and insurance programs. If you didn't authorize a charge,

don't pay it. Follow your credit card issuer's procedures for disputing charges you haven't authorized. According to the Federal Trade Commission, your liability for unauthorized charges is limited to \$50.

Advance Tax Refund Loans

This scam was originally called “rapid refund” and was a big hit when it was first introduced by the big tax preparation chains. Unfortunately, it still attracts a lot of unsuspecting people that don't want to wait a couple of weeks for their tax return. This is a loan against an anticipated tax refund. The fee is charged on an annualized rate as though you borrowed the money for an entire year even though you may only be borrowing the money for three or four weeks. If you expect a refund of \$1,100 and you are paying the flat fee of \$84 you are paying an interest rate of 92%.

Mortgage Reduction Information Kits

These kits are usually very expensive - costing hundreds of dollars – and are sold door to door. They contain no information that you can't find in other sources for free or a couple of dollars. They simply tell you to cut your mortgage payments into bi-weekly installments to save interest. The problem is that there are only a few banks that actually accept bi-weekly payments.

Prepayment Penalties

Check the fine print of your loan agreement before accepting any loan. This costly little clause is designed to get the maximum interest from you. If you pay the loan in full before it is due, the lender then forces you to pay a penalty. Sometimes the penalty is 5% which on a mortgage can be thousands of dollars. Negotiate this out of the contract. You may also want to find out if your state restricts this type of clause since many do.

Prepaid Interest

The fine print of some loan agreements includes an “add-on-interest” clause. This interest is added to the total amount of your loan before the lender calculates your monthly payments. The total amount of the loan is then divided by the number of required payments. There is no advantage to pay the loan early since the fine print also says the interest will not be refunded. There is absolutely no savings for paying early.

Uncapped Variable Interest Rates Non-interest Bearing Deposits

A capped variable interest rate is an interest rate that fluctuates with the prime interest rate, but never rises above a certain point. This is in contrast to an uncapped variable rate that is an interest rate that may start at nine percent, but has no ceiling. It can rise to 20% or more which was not uncommon in the 1980s. Variable rates are always dangerous but this type of rate leaves you without any protection at all.

If You Are a Victim - Where to Complain

If you've had a problem with any of the scams described here, contact your local consumer protection agency, state Attorney General (AG), or Better Business Bureau. Many AGs have toll-free consumer hotlines. Check with your local directory assistance.

Armed with this information, you can protect yourself from credit industry thieves or in the unfortunate event you have already been victimized, you can begin to rescue yourself from the clutches of these exploiters and scam artists.

Best of Luck,

Heru-Ur Nekhet