

Credit Score Myths Abound; Make Sure You Understand the Facts

Credit scores are a fact of life. Lenders use the scores to uncover information to determine how likely a borrower is to pay back a loan in a timely fashion. Since credit scores are so important, they have taken on a kind of mystical aura that has led to many misconceptions. The average American thinks they know all about credit scores and how they work, but in reality most are misinformed.

Below are some common credit score myths, and the truth behind them:

Myth: If you experience credit problems, your credit score will not improve for seven years.

Fact: You can make a significant difference in your credit score by changing your ways and paying bills on time. That's because lenders place more significance on the most recent entries on your credit report rather than the old ones.

Myth: If you pay off your debts, the record of your bad debt will disappear.

Fact: Bad debts, charge-offs and late payments can remain on your credit report for a minimum of seven years. That's why if there were extenuating circumstances to explain your trouble paying on time, you should be sure it is included on your credit reports.

Myth: If you catch up on your late payments, they will be wiped off your credit report.

Fact: Your credit report must reflect that you caught up, but it will also show that you were late.

Myth: If you have a high credit score, one late payment won't hurt.

Fact: Unfortunately, this is a case of one bad apple spoiling the whole bunch. The first time you are delinquent, you can lower your score by as much as 100 points. The later the payment, the more it will hurt your score.

Myth: If you want to fix errors on your credit report, it will cost you.

Fact: There is no fee involved in correcting mistakes on a credit report. Contact the credit bureau that created the report and have them correct the mistakes.

Myth: If you check your credit report too many times, you will be penalized.

Fact: People can check their credit report as many times as they want without hurting their credit rating. In fact, credit bureaus encourage you to keep a watchful eye on your credit report so you can spot any mistakes.

Myth: If you close as many credit cards as possible before applying for a loan, you stand a better chance of being accepted.

Fact: Having open credit cards doesn't hurt your credit score. If they are in good standing, they may even help your case. A credit card only hurts your chances when it is maxed out.

Understanding the truth about credit reports is a first step in improving your credit score.

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