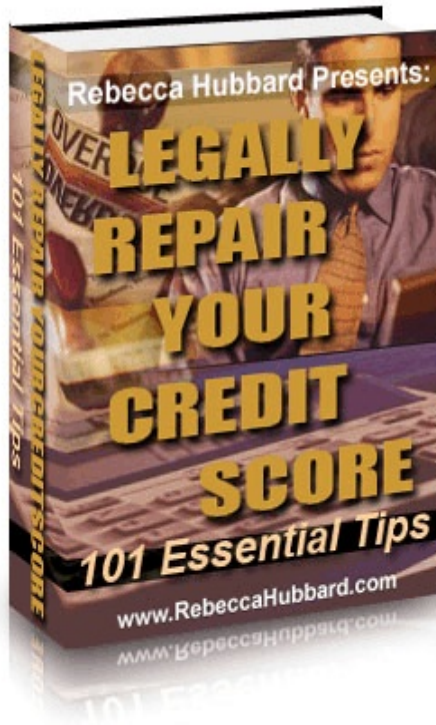


Legally Repair Your Credit Score: 101 Essential Tips



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Introduction

People have plenty of misconceptions about their credit scores. One of the biggest misconceptions is credit scores don't matter. That's simply not true. Your credit score is your ticket to many of the things you want: lenders look at your credit score if you want to purchase big ticket items like a home or a car. If you have a good credit score, you'll enjoy lower interest rates and better loan terms. If you have a poor credit score, you're going to suffer with higher interest rates and more restrictive loan terms. You may even have trouble leasing an apartment, opening a credit card account, and so on.

But, it goes beyond your purchasing power – in some cases, employers look at applicants' credit scores during the interview process.

Another dangerous misconception held by some is not everyone has a credit score. If you have a bank account, and you have bills, you have a credit score. Some use the term credit score, while others call it a FICO score, a credit rating, credit risk rating, a FICO rating, or a credit risk score.

Each refers to one simple thing: the three-digit number that shows lenders your credit worthiness and whether you are apt to repay your loans and pay your bills.

Lenders check your credit each time you apply for credit cards, loans, and in some cases, when you want to lease an apartment or a home the management company will want to verify you have a record of paying your rent on time. If you are applying for a job in which you will be handling money, you may also be subject to a credit check by the employer. Furthermore, any other legitimate business can check your credit if they need to do so.

In short, your credit score show lenders what state you are in financially and your past financial history, including if you made your monthly payments on time. Lenders look at your credit score to determine if you are a good credit risk; if they determine you are a good credit risk, you'll likely receive a better interest rate, if you're applying for a loan.

Credit scores are not something of which to be afraid; however, many people do not fully understand how credit scores work and how they can easily repair their own credit scores. Unfortunately, such misinformation is only exacerbated by companies who claim to, for a price, fix your credit score overnight.

Unfortunately, such companies produce powerful ads that some people believe they really do have to pay a hefty sum to fix their credit scores when, in reality, they can easily do it themselves with a little time and effort.

Take heed of the following 101 tips, and you'll soon be working toward cleaning your credit report and bringing your credit score where it needs to be to ensure you lenders want to deal with you.

In the following pages, you'll learn how to:

- Define your credit score, a credit report, and other key financial terms that are essential to repairing your credit
- Develop a personalized credit repair plan that addresses your unique financial situation
- Find the resources you need to repair your credit score without spending money
- Use the same techniques as credit repair experts to repair your own credit.

You'll also learn how to deal with life as you repair your credit because life doesn't stop because your credit is suffering.

Once you finish this book, you'll have built a solid foundation that will allow you to hone your financial habits, ensuring once you rebuild your credit, it stays strong. Remember, to follow the steps in this book, and you'll soon be on the way to healthier credit.

The Basics

You can't repair your credit report unless you understand what you're working with, including exactly what a credit score is, how the credit bureaus determine your credit score, and the many reasons your credit score is so important whether you want to buy a home or open a department store credit card.

Understanding your credit score is the first step in keeping it strong.

Tip #1: Know how your credit score is determined.

You must know how your credit score is determined and how it affects you in your day-to-day life. Otherwise, no matter how hard you try, you will not be able to get your credit score to the point where it needs to be.

It's also important you understand your credit score, so you don't fall prey to companies who provide enticing offers – for a princely sum, of course – of fixing your credit score for you.

Essentially, your credit score tells lenders whether you are a good, average, or poor credit risk. Credit scores range between 300 and 850, and show potential lenders whether you pay your bills on time, if you've defaulted on any accounts, and how much debt you're in.

You want as high a credit score as possible because those with higher credit scores are better credit risks, which means they're more likely to enjoy better interest rates. If you have a score of 720 or higher, in all likelihood, you are going to enjoy the best interest rates available. For those who have credit scores in the lower 600s and below, securing credit or a loan is often more difficult. However, regardless of where your credit score falls, you must know that not every lender views credit scores in the same way.

That is, there are lenders who will willingly work with consumers with a credit score in the 600s; still others only offer the best rates to those with the highest scores. Not all lenders will look at your credit report to determine why you have your credit rating; some will merely base their decision upon your credit score.

Your credit score is based directly upon your credit report. Your credit report is your credit history; it lists your past debts, any defaults, and your repayments. Your credit score is calculated based on the information in your credit report by credit bureaus.

Different methods are used by each credit bureau which accounts for your different scores. Most credit bureaus use the FICO system. FICO is an acronym for the credit score calculating software offered by Fair Isaac Corporation, and is the most commonly used software in the financial industry.

You'll likely hear the term FICO score or FICO rating, which is just another term for your credit score.

The calculations used to determine your credit score is based on research and comparative math, a concept you'll want to understand in your efforts to boost your credit score. In a very real sense, your credit score is computed much the same way your insurance premiums are.

When you decide to take out life insurance, the insurance company will ask you questions about about your health, your lifestyle choices (are a smoker?) because these bits of information can tell the insurance company how much of a risk you are and how likely you are to make large claims later on.

For instance, studies have shown that smokers tend to be more prone to serious illnesses which in turn require more medical attention. If you are a smoker, you may face higher insurance premiums

Similarly, credit bureaus and lenders often look at general patterns. Since people with too many debts tend not to have great rates of repayment, your credit score may suffer if you have too many debts. Understanding how your credit score is calculated is important for two major reasons:"

1) You are able to see that your credit score is not a personal reflection of you. Rather, it is a reflection of how well lenders and companies think you will repay your bills, based research on other debtors.

2) You want to improve your credit score, so you must work on becoming of the type ideal debtor studies have shown tends to repay their bills. You do not have to work hard to reinvent yourself financially, and you do not have to start making much more money. You simply must be a reliable lender.

Credit reports are created by credit bureaus. Here's how it works: credit bureaus have clients - such as credit card companies and utility companies, for example - that provide them with information.

Once a file is begun on you (i.e. once you open a bank account or have bills to pay) the information is stored on the record. If you are late paying a bill, the clients call the credit bureaus and note this. Any unpaid bills, overdue bills, or other problems with credit count as black marks on your credit report, and affect your score.

Information including what type of debt you have, how much debt you have, how regularly you pay your bills on time, and your credit accounts is used to calculate your credit score.

Your age, sex, and income don't count towards your credit score. The actual formula used by credit bureaus to calculate credit scores is a well-kept secret, but it is known that recent account activity, debts, length of credit, unpaid accounts, and types of credit are among the things that count the most in tabulating credit scores from a credit report.

Tip #2: File the information for credit bureaus in an easy-to-find place

Contact the three major credit bureaus if you want to repair your credit score. Equifax, TransUnion, and Experian will send you your credit report. If you find an error on your credit report, you must also contact the credit bureaus to correct the problem. You can easily contact these organizations by mail, telephone, or online:

Equifax Credit Information Services, Inc

Address: P.O. Box 740241

Atlanta, GA 30374

Telephone: 1_888_766_0008

Online: www.equifax.com

Experian National Consumer Assistance Center

Address: PO Box 2002

Allen, TX 75013

Telephone: 1_888_397_3742

Online: www.experian.com

TransUnion LLC Consumer Disclosure Center

Address: P.O. Box 1000

Chester, PA 19022

Telephone: 1_800_888_4213

Online: www.tuc.com

Note this information wherever most of your financial information is kept, so you can easily contact the bureaus whenever you need to. Your local yellow pages should also have the contact information of these credit agencies.

Tip #3: Create a plan to repair your credit score.

Once you have your credit report and your credit score, you can determine your financial status and identify any problems. If you have a poor score, try to determine the cause of the problem:

- Do you have too much debt?
- Do you have too many unpaid bills?
- Have you recently faced a major financial upset, for example, bankruptcy?
- Have you not had credit long enough to establish good credit?
- Have you defaulted on a loan, failed to pay taxes, or recently been reported to a collection agency?

The problems that contribute to your credit problems should dictate how you decide to boost your credit score. As you read through this ebook, highlight or jot down tips that apply to you. You'll then want to develop a checklist of things you can do to improve your credit situation.

When you seek professional credit counseling or credit help, counselors will generally work with you to help you create a personalized strategy that addresses your credit problems. With the help of this book, you can develop a similar strategy on your own.

When developing your action plan, you must understand your credit score comes from:

1) **Your credit history** (accounts for more than a third of your credit score in some cases). Whether you have been a good credit risk in the past is the best indicator of how you will react to debt in the future. Late payment, loan defaults, unpaid taxes, bankruptcies, and other unmet debt responsibilities will count against you the most. You can't do much about your financial past, but starting to pay your bills on time –will most certainly help boost your credit score in the future.

2) **Your current debts** (accounts for approximately a third of your credit score in some cases). If you have a lot of current debt, you may be stretching yourself financially thin and may have trouble paying back debts in the future. If you owe a lot of money now, especially if you have borrowed a lot recently, your credit score will take a hit. You can boost your credit score by paying down your debts as far as you can.

3) **How long you have had credit** (accounts for up to 15% of your credit score in some cases). If you have not had credit accounts for very long, you may not have enough of a history to let lenders know whether you are a good credit risk. You can counter this by keeping your accounts open rather than closing them off as you pay them off.

4) **The types of credit you have** (accounts for about one tenth of your credit score, in most cases). Lenders like to see a mix of financial responsibilities you are able to handle well. Having bills you pay and one or two loan types will improve your credit score. Having at least one credit card you manage well can also help your credit score.

It is possible to only estimate how much a specific area of your credit report affects your credit score. Nevertheless, keep these five areas in mind, and make sure each is addressed in your personalized plan. Doing so will go a long way in making sure your personalized credit repair plan is comprehensive enough to boost your credit.

The Best Ways to Boost Your Credit Score

Because of the way credit scores are calculated, some actions you take will affect your credit score more effectively than others. Paying your bills on time and meeting your financial responsibilities will boost your score the most. Owing a reasonable amount of money and being able to repay it will show lenders you take your finances seriously and pose little threat of lost money.

Tip # 4: Make sure you consistently pay your bills on time.

One of the best ways to improve your credit score is simply to pay your bills on time. There is nothing that shows lenders you take debts seriously better than a history of paying promptly. Every lender wants to be paid in full and on time.

If you pay all your bills on time, chances are you will make the payments on a new debt on time, too, a trait every lender wants to see. Experts estimate that up to 35% of your credit score is based on your paying of bills on time, so it's an easy way to boost your credit score.

Paying your bills on time also ensures you don't get hit with late fees and other financial penalties that make paying your bills off harder. Paying your bills in a timely way makes it easier to keep making payments on time.

Of course, if you have had problems making your payments on time in the past, your current credit score will reflect this. It will take a number of months of repaying your bills on time to improve your credit score again, but the effort will be well worth it, since your credit score will become healthy once again.

Tip #5: Don't rack up excessive credit

If you have many lines of credit or several huge debts, you make a worse credit risk because you are close to "overextending your credit." Simply, you may be taking on more credit than you can comfortably pay off. Even if you are making payments regularly now on existing bills, lenders know you will have a harder time paying off your bills if your debt load grows too much.

The higher your debts the greater your monthly debt payments, In turn, the higher the risk you will eventually be able to repay your debts. Additionally, statistical studies have shown that those with high debt loads have the hardest time financially when faced with such life-altering events as divorce, unemployment, or sudden illness.

Lenders (and credit bureaus who calculate your credit score) know the more debt you have the greater problems you will have if you do run into a life crisis.

To have a great credit score, avoid taking out excessive credit. Stick to one or two credit cards and one or two other major debts (car loan, mortgage) to ensure the best credit rating. Do not apply for every new credit line or credit card "just in case." Borrow only when you need it, and always make payments on time.

Taking out a lot of new credit accounts in a relatively short period of time adversely affects your credit score

Tip #6: Lower your debt.

If you have a lot of debt, your credit score will pay the price. Paying down your debts to a minimum will help elevate your credit score. For example, if you have a \$1000 limit on your credit card and you regularly carry a balance of \$900, you will be a less attractive credit risk to lenders than someone who has the same credit card but carries a smaller balance of \$100. If you want to improve your credit score, start with the largest debt you have and start paying it down, so you are using a less large percentage of your credit total.

Try to use no more than 50 percent of your credit. For example, if your credit card has a limit of \$5000, you pay it down to at least \$2500 and work at carrying no larger balance. If possible, reduce the debt even more. If you can pay off your credit card in full each month, even better. What counts is the percentage of your total credit limit you are using - the lower the better.

Tip #7: Have a range of credit types.

The types of credit you have are a factor in calculating your credit score. Lenders generally prefer to see you are able to handle a range of credit types well. Having some form of personal credit - such as credit cards - and some larger types of credit - such as a mortgage or auto loan - and paying them off regularly is better than having only one type of credit.

Keep Your Credit Score Safe

If you have a lower credit score than you would like, chances are the score is caused by some financial mistake or oversight you made in the past. Not every person with bad credit has a low credit score caused by something he or she did, however. Other people's criminal activity can also affect your credit score. It's extremely important that you be aware that there are internet predators waiting to find a way to steal your money and even your identity. Be vigilant to protect yourself.

Tip #8: Be aware of identity theft

Many people who are careful about paying bills on time and having minimal debts are shocked to discover they have low credit scores. This is often the result of identity theft. Identity theft is crime in which people steal your personal information and pose as you to gain access to your accounts or identity.

For example, someone with your PIN numbers can remove small amounts of money from your bank account each month. Or, an identity thief can use your name and personal information to obtain credit cards in your name, and use those credit cards with no intention of paying back the money. You are stuck with the large debts and the poor credit score.

To prevent identity theft, always check your account statements carefully each month. Immediately report any suspicious activity or any charges you don't recognize. Check your credit report regularly, and immediately investigate any new credit accounts you do not recognize. This is the best way of detecting and acting on identity theft.

If you have been the victim of identity theft, report it to the police at once. Give the a police statement. Send copies of the statement to your bank and credit bureaus. Better yet, get the credit bureaus to attach the report to your credit report, if you can. Close all of your accounts, and open new ones. You should not have to pay for someone else's illegal activity.

Tip #9: Practice safe banking, safe computing, and safe business practices.

To protect yourself from identity theft, always follow safe banking and financial practices:

- 1) Keep account numbers and PIN numbers in a safe place. Cover your account and PIN numbers when using your debit card at the store, and do not give your PIN number to anyone. Avoid writing down your PIN and account numbers - you never know when this information could fall into the wrong hands.
- 2) Only work with businesses you trust.

3) If you get applications for credit cards in the mail that are "pre-approved," rip up the applications and enclosed letters before discarding them. Identity thieves sometimes go through garbage to find these forms, so they can fill them out and steal your identity.

4) If you use a computer, install good firewall and antivirus protection system, and update it religiously. Take a course in safe computing at your local college or community center. You will learn many good tips for keeping all of your information safe while you are online.

5) Never buy anything online from a company you do not trust or from a company that does not have encryption technology and a good privacy policy.

6) Avoid providing private information through email or your computer. Be especially cautious if you get an email from your bank asking you to verify your information by clicking on a link; this is a popular scam that comes from criminals posing as your bank. Ignore the email, and inform your bank about the message.

7) Be wary of unsolicited emails, phone calls, or mail advertisements. Most are from legitimate companies, but there are companies that promise credit cards over the telephone only to charge your existing credit card without sending you anything.

Similarly, letters sometimes promise you specific items or services. Once you send in your credit card information (usually to a post office box), you never hear from the company again. If you need or want to buy something from a company, check the company's standing with the Better Business Bureau first.

Send a money order instead of a check (which has your account number) or your credit card information. If you do use a credit card, report any unusual charges or any payments, you made for a product that did not arrive, to the credit card company.

In some cases, the credit card company can stop payment or refund your money and take steps to keep your credit card number safe.

8) If an offer seems too good to be true, it is. If you get an offer for a ten million dollar check - for which you need to put down \$5000 as a "sign of good faith"...if you get an offer for a free state-of-the-art computer - if only you provide your account information... remember, you're about to be scammed.

Scam artists often rely on your belief in others and your trust to make money. They depend on the fact that you will be so excited about a product or service that you will throw good judgment out the window. Prove them wrong.

When faced with an offer that seems too good to be true, do some research on the web, through the Better Business Bureau, or ask the person making the offer plenty of questions. Never take someone up on an offer that you have been given unsolicited *unless* the company and the offer both check out.

9) Read the fine print. Some services or companies will have tiny print in their contract or agreement that allows them to charge you extra hidden fees or that allows them to retract certain offers. If you get an offer through email or the mail, always read the fine print.

10) Be alert for a sudden disruption in your mail service. If you do not get mail for some time, contact your post office and ask whether your address was recently submitted for a "change of address" service.

One way that criminals steal identities is to change your address at the local post office. They redirect your mail to a post office box number and steal your mail looking for personal information such as bank statements, pre-approved credit card applications, etc.

They use this information to pose as you with lenders and run up huge charges in your name. Keeping an eye on your mail can help you keep your credit score safe.

Tip #10: Regularly check your credit score

You are more likely to notice problems and inconsistencies if you check your credit score on a regular basis - at least once a year and preferably three times a year. Check your credit rating with each credit bureau. If you notice anything odd or something you don't recognize (such as a charge account you did not open), report it immediately.

Such errors may be caused by mistakes made at the credit bureau, or they could be an indication that someone is using your identity. In either case, these mistakes may hurt your credit score. Fix them as soon as possible to help your credit score.

If you think you have been the victim of identity theft, immediately:

1) Contact the three major credit bureaus, and ask to speak to the fraud department. Explain that you have been the victim of identity theft (or believe you may have been), and ask that an "alert" be placed on your file. This will let anyone looking at your report know that you may have been the victim of fraud. You will also be alerted any time a lender asks to look at your credit report - each time a lender looks at your file, it may be an indication the identity thieves are trying to open a new account in your name.

When the lender sees the person applying for credit is not you, they will deny the thieves credit. In most cases, this results in the identity thief ceasing to use your information. Most alerts on stay on file for 90 or 180 days, but you can extend this period to several years by asking the credit agencies for an extension of the "fraud alert" in writing.

You can even ask for a freeze, in some states, to be placed on your credit score and credit report. This will prevent everyone but you and those creditors you already have from accessing your file. Any lenders the thieves contact to set up a new account will be refused access, and the thieves will not be able to get any more money in your name.

You are entitled to a free copy of your credit report if you have been the victim of identity theft. Take advantage of this offer, so you can check how your credit has been affected. Dispute those charges you have not made.

2) Call the Federal Trade Commission (FTC) at 1-877-438-4338, a special hotline the FTC has set up to help customers deal with fraud and identity theft. You will be able to get up-to-date information about your rights and advice as to what you can do to improve your credit score and to protect yourself in the future.

3) Contact the police. Identity theft is a crime. You must file a police report (keep a copy of this report), so you can help the police potentially catch the person(s) responsible. Contacting the police will also give you a paper trail and proof that a crime has been committed. Keeping a paper trail of the crime and your response will make it easier for you to repair your credit if it has been damaged by identity thieves.

4) Contact your creditors or any creditors that the identity thieves have opened an account with. Talk with the security department, and explain your predicament. You may need to have your accounts closed or your passwords changed.

You may also need to fill out a fraud affidavit to state that a crime has been committed - keep a copy of this form for your records. The creditors' security team will advise you as to what you can do. Make note of who you talked with, so you have records of the steps you have taken to deal with the situation.

If you have been the victim of identity theft and you are deeply in debt to creditors you never contacted, you will not be held responsible for the charges. However, you will have to prove you have been the victim of identity theft, which is tricky since the thieves are using your name and claiming to be you.

Lenders will want to be paid, and you will want to avoid paying for charges you did not run up. Be persistent and have proof that you have been the victim of a crime, and you'll have a much easier time fixing your credit score. In the meantime, however, you will be faced with a much lower credit rating than you deserve, and you may have to put off larger purchases that may require a loan.

Avoid Common Credit Score Mistakes

Tip #11: Know what debts you have and what credit you don't use.

It is easy today to apply for a store credit card that you'll forget you even have in a few years. However, that account will remain on your credit report and affect your credit score as long as it is open. Having credit lines and credit cards you don't need makes you seem like a bad credit risk because you run the risk of "overextending" your credit.

It also increases the odds that you will forget about an old account and stop making payments on it, resulting in a lower credit score. Keep only your used accounts, and make sure that all other accounts are closed. Having fewer accounts will make it easier for you to keep track of your debts and will increase the chances of you having a good credit score.

However, when you close an account, the record of the closed account remains on your credit report and can affect your credit score for a time. Closing unused credit accounts may actually cause your credit score to drop in the short term, as you will have higher credit balances spread out over a smaller overall credit account base.

For example, if your unused accounts amounted to \$2000 and you owe \$1000 on accounts that you have now (let's say on two credit cards that total \$2000), you have gone from using one fourth of your credit (\$1000 owed on a possible \$4000 you could have borrowed) to using one half of your credit (you owe \$1000 from a possible \$2000). This will actually cause your credit risk rating to drop. In the long term, however, not having the extra temptation to charge and not having credit you don't need can work for you.

Tip #12: Don't have allow too many inquiries of your credit report.

Every time someone looks at your credit report, the inquiry is noted on your credit report. If you have a lot of inquiries on your report, it may appear that you are shopping for several loans at once, or you have been rejected by lenders. Both make you appear a poor credit risk and may affect your credit score. You must be careful about who looks at your credit report. If you are shopping for a loan, shop around within a short period of time, since inquiries made within a few days of each other will generally be lumped together and counted as one inquiry.

Cut down on the number of inquiries on your account by approaching lenders you have already researched and may be interest in doing business with - by researching first and approaching second you will likely have only a few lenders accessing your credit report at the same time, which can help save your credit score.

Tip #13: Be careful of online loan rate comparisons.

Online loan rate quotes are easy to get – enter personal information and you can get a quote for a car loan, personal loan, student loan, or a mortgage in seconds. It's free and convenient, leading many people to compare several companies at to make sure they get the best deal possible.

Since online quotes are a fairly recent phenomenon, credit bureaus count each quote estimate as an "inquiry." If you compare too many companies online by asking for quotes, your credit score will fall due to too many "inquiries."

Online loan quotes are a great resource that can help you get the best rates on your next loan. , However, you should research companies and narrow down possible lenders to just a few before making inquiries to ensure the number of inquires on your credit report is small - and your credit rating will stay strong.

Tip #14: You don't only have one credit report.

Most people have at least three or more scores - and these scores can vary widely. There are three major credit bureaus in the United States that develop credit reports and calculate credit scores. There are also a number of smaller credit bureau companies.

Additionally, some larger lenders calculate their own credit risk scores based on information in your credit report. When repairing your credit score, contact the three major credit bureaus and work on repairing the three credit scores separately.

Tip #15: Closing your credit accounts aren't necessarily going to boost your credit score.

Many people think that to improve their credit scores, they just have to pay off some debts and close their accounts. However, this isn't entirely accurate. Think carefully before closing your accounts.

If you close an account you need (for example, if you close all your credit card accounts), you will have to reapply for credit, and all those inquiries from lenders will cause your credit score to drop.

Second, most credit bureaus give high favorable points to those who have a good long-term credit history. Closing the credit card account you have had since college may hurt you in the long run. If you have credit accounts you don't use or if you have too many credit lines, pay off some and close them. Doing so may help your credit score *if* you don't close long-term accounts you need. Close the most recent accounts first when you are sure you will not need that credit in the near future. Closing your accounts is a bad idea if:

1) You will be applying for a loan soon. It will make your credit score drop in the short term and will not allow you to qualify for good loan rates.

2) Closing your accounts will make your overall debt balance too high. If you owe \$10,000 now and closing some accounts would leave you with only \$1000 of possible credit, you are close to maxing out your credit, which gives you a bad credit rating.

In the short term, closing accounts will lower your credit score, and in the long run it can be beneficial.

Tip #16: Don't assume that one thing will boost your credit score a specific number of points.

Some debtors are lead to believe that paying off a credit card bill will boost their credit score by 50 points while closing an unused credit account will result in 20 more points. Credit scores are certainly clear-cut or simple.

How much any one action will affect your credit score is impossible to gauge. It will depend on several factors, including your current credit score and the credit bureau calculating your credit score.

Generally, however, the higher your credit score, the more small factors - such as one unpaid bill - can affect you. When repairing your credit score, do not equate specific credit repair tasks with numbers. Rather, do as many things as you can to get your credit score as close to 800 as you can. Even if you improve your credit score by 100 points, you will qualify for better interest rates.

Tip #17: Having no loans or debts will not necessarily improve your credit score.

Some people believe that owing no money, having no credit cards, and avoiding credit will help improve their credit score. The opposite is true. Lenders want to see that you can handle credit, and the only way they can tell is if you have credit that you handle responsibly. Having no credit at all can actually be worse for your credit score than having a few credit accounts you pay off scrupulously. If you currently have no credit accounts at all, open a low balance credit card to boost your credit score.

Tip #18: Do not attempt to fix your credit score by illegal means.

Plenty of people try to lie about their credit scores or even falsify their loan applications because they are ashamed of a bad score. This is illegal, and it's completely ineffective. Your credit score is easy to check, and you will not fool lenders by lying, and you may face legal action as a result of your dishonesty.

Dealing With Your Credit Report to Deal With Your Credit Score

If you want to improve your credit score, go right to the source - your credit report. Your credit report contains the information and data on which your credit score is based. If you can alter or update the information in your credit report, your credit score will change to reflect the alterations. Getting and checking your credit report is one of the first things you should do when you attempt to repair your credit score.

Tip #19: If you find errors on your credit report, take action.

Contact each of the three major credit bureaus - TransUnion, Equifax, and Experian - and get copies of your credit reports and credit scores. Carefully read over the reports, and take note of any errors. Contact the credit bureaus in writing, and ask that mistakes be removed or investigated.

Once this dispute letter is received, credit bureaus have to investigate your dispute within thirty days. Keep a copy of your letter, and note the date the letter was sent. Do not be accusatory or abusive in your letter. Simply state the problem and ask for an investigation.

Note that you are aware the agency is required to investigate the claim within thirty days, and you will follow up. Follow up with the issues you raised in your letter. Just because the agency investigates does not always mean your credit report will end up error-free.

Many credit bureaus now make it possible for you to correct errors on your credit report online. In fact, many credit bureaus have information on their websites explaining you how disputes must be handled to be effectively removed. Follow this information exactly, so the inaccuracies are removed promptly, and your credit score is updated as soon as possible.

Tip #20: If there is a problem you can't currently fix, make a note of it on your credit report.

There can be legitimate reasons why you didn't pay a bill. If a contractor refused to finish a job or did a poor job, you may have refused payment. However, the non-payment may still count against you on your credit report. If there are unusual circumstances on your credit report that may affect your credit rating - such as a case of identity theft - ask that a note be attached to your credit report to explain the problem.

Some lenders will pay attention to this and some will not. However, it is better to do something than nothing at all. Such a note will not affect your credit score, but it will affect your credit report. More importantly, it leaves a paper trail of the problem that lenders can look at if they so choose.

Tip #21: Know who is looking at your credit report and why

Many inquiries look bad on your credit report. However, you should know who can see your personal financial information. If you sign a document with a lender or apply for credit online, someone is looking at your credit report.

However, you may want to look over other documents to see who else is accessing your credit report, including insurance agents, landlords, and potential employers. Always be careful about online sources. Generally, when you provide someone with your social insurance number, you may be giving permission to look at your credit report. Don't forbid people from accessing your credit report, but know who is looking at it.

Tip #22: Know the difference between soft and hard inquiries

When you pull your credit report, it is counted as a "soft inquiry." Only "hard inquiries" from lenders will dramatically affect your credit score. Although checking your credit score too often is an expensive habit, do not avoid checking your credit report because you fear it will make your credit rating worse.

Tip #23: Contact creditors and credit bureaus when you are correcting inaccuracies in your credit report.

When debtors find mistakes on their credit reports, they often only contact the credit bureaus. While this is the most effective way to resolve the issue, also contact the creditors whose account has caused a dent on your credit report to resolve your problem faster.

Let's say you were late sending a credit card payment two months ago because you were sick. The late payment is listed on your credit report even though you have paid it. Contact the credit bureau to get the error removed.

If you notice the same credit card company has you listed as having late payments three months in a row when you paid on time, contact the credit company to resolve the problem.

If the information reported about you to credit bureaus isn't accurate, the credit company should correct the problem, so it does not happen again. You have an advantage in this - the credit company, unlike the credit bureau, depends on your business for their money.

Therefore, the credit company (or any other bill company presenting inaccurate information about you) is motivated to correct the problem or risk losing your business.

If you find a company is consistently reporting inaccurate information, file a formal complaint to the company or switch companies.

Tip #24: Beware of where you get your credit report and what it contains.

You can get your credit score from numerous resources, including from the credit bureaus themselves. You are entitled to one free credit report a year, if you have recently been turned down for credit or if you think you may have been the victim of identity theft.

Obtain a copy of your free credit report from the three major credit bureaus. If you can't get a free credit report, try to get one, even if it costs a few dollars. The savings you will enjoy when you improve your credit score will more than pay for the cost of the reports.

Numerous online companies also offer free credit reports you can instantaneously access. Additionally, you often can get reports from the different credit bureaus at once, thus saving you time.

However, these online companies vary widely, so compare before choosing one. Read the online company's agreement very carefully; some promise free credit reports only with the purchase of a credit repair program or a similar kit. You may be required to purchase the program to get the free credit report, so be wary of which company you choose.

Furthermore, some companies offer free credit reports that are actually a combination of reports from the three major credit bureaus. You want to compare each of the three credit bureau reports and fix each credit score separately, so purchasing such a credit report makes little sense. Be on the lookout for online companies offering condensed credit reports, and always avoid companies that send you unsolicited emails trying to get you to subscribe to some service. Always read carefully, especially the fine print, to determine if the free credit report offer is indeed legitimate.

That said, there are a number of online companies that offer credit reports and credit scores at no charge, which can be a useful way to start repairing your credit, especially if you are computer savvy.

If you don't qualify for a free credit report from the credit bureaus, a legitimate online company may be your best bet of getting your credit information.

You qualify for one free credit report a year. To receive your free credit report visit, www.annualcreditreport.com, or by call 877_322_8228. Or, send a letter to Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348_5281. You can also fill out the form available at the Federal Trade Commission's Web site at: http://www.ftc.gov/bcp/online/edcams/credit/docs/fact_act_request_form.pdf.

Regardless of where you get your credit score and credit report, make sure you get the most complete information package. Credit reports are not exciting or easy to read. If you are ordering your report online, find one that includes graphs or a lot of easy-to-understand details.

Obtain both your credit report and your credit score, even if you have to pay extra. If you get just your report, you will not be able to follow the complicated math formulas used to arrive at your score, and the report itself will not be much use to you without your credit score.

Your credit report includes:

1) Your personal and contact information: name, address, past several addresses, social security number, employers (past and present) and birth date.

2) Your personal information about credit: the types of loans you have now and have recently had, the dates the loans were opened, the credit limit on each loan, how well you have been repaying those loans (skipped or late payments go against you in your credit score), and your lenders.

3) Information that is on the public record: bankruptcies, unpaid taxes, unpaid child support, tax liens, dealings with collection agencies, foreclosures, loan defaults, civil lawsuits, and so on. Most will stay on your credit report, severely affecting your credit score.

4) Information about who has looked at your credit report and credit score. Every time someone views your credit score, it is called an "inquiry." Your credit report lists who has looked at your credit report in the past two years and how often you have applied for loans and credit during that time. Too many inquiries looks bad and negatively affects your credit score.

When you get your credit report, look at each section of it and understand what you are reading. Any mistakes can affect your score, so check the entire report for inaccuracies and errors, including your name, address, and other personal information.

Dealing With a Credit Score after a Big Problem

Problems happen - bankruptcies, divorces, law suits, and non-payment of taxes are just a few problems people face that can negatively affect your score. If you have dealt with such a large problem that has ruined your credit, take action fast and consistently work to repair your credit score:

Tip #25: Establish better credit by taking out a loan and quickly repaying it.

If you have bad credit after bankruptcy or another such financial upheaval, consider taking out a loan you can handle. Talk with your bank or bad credit lender a few months after the problem, and apply for a small loan.

Ensure you have enough savings to pay for the loan before you take this step. Pay back the loan quickly. While it will not boost your credit score significantly, it shows lenders you are having an easier time paying your bills. It's also part of the slow but steady process of reestablishing good credit, especially after financial disaster.

Tip #26: If you cannot qualify for other types of credit, apply for secured credit.

Secured credit is credit that includes something as collateral, such as a house, or money frozen in a bank account.

If you need credit following major financial problems, you may qualify for secured credit. Use secured credit to reestablish a good credit rating, which will qualify you for other loans in the future. While you may have to pay slightly higher interest if your credit score is quite low, in the long term repaying the loan will help your credit score.

Tip #27: Realize it takes time.

Simply paying off your debts will not magically repair your credit score. If you gone through bankruptcy, have been reported to a collection agency, or have had charge-offs, your credit report will reflect those incidents, even after they have been resolved and the debts have been paid.

In fact, bankruptcy will remain on your credit report for seven to ten years, although the impact lessens the farther you get from the bankruptcy. If you do not pay your bills on time, it still takes time for the mark to fade from your credit report and for your credit score to reflect your better repayment.

Paying off debts and resolving problems obviously helps your credit score since overdue accounts will be marked as "paid" on your credit report. However, only time will remove entirely the problems.

If you have faced a major setback like bankruptcy, you may have to wait to get the best interest rates on larger purchases. The farther away you are from a major financial problem, the less dire it appears.

For example, if you have declared bankruptcy, it will have a huge impact on your credit score for the first two years, during which time you will have a hard time getting credit.

However, after two or three years, if you have been paying your bills on time, the bankruptcy from will matter less because you have been rebuilding your credit. Your credit still suffers, but you are slowly working your way to good credit. Persistence and good financial habits will get you there.

If you plan on making a major purchase, such as a house or car, that may require a loan, start working on improving your credit as far ahead in advance as possible of your actual purchase to allow yourself time to boost your credit score.

Even if your credit score is already fairly good, give yourself several months of time to improve your credit rating enough to get the best loan rates.

Tip #28: Ask your banks to reduce your credit limits.

If your credit risk rating is poor, especially if it has taken a beating due to non-payments or other problems, ask that your bank reduce the credit limits on your credit cards, credit lines, and other debts, if:

1) You can pay off at least 50 percent of your debt loads as they are readjusted. For instance, if you have a credit limit of \$5000 on your credit card and it's reduced to \$2500, leave a balance of \$1250 or less. If you owe \$4000 and have no way of repaying it, getting your credit limit reduced can actually hurt you. On the other hand, if you need to get a larger loan to pay off your credit card in full and reduce your limit to \$2500, you may be able to improve your credit score.

2) You have a lot of credit. If you have several types of debts and credit accounts - credit lines, credit cards, store charge cards, a mortgage, a car loan, and a personal line of credit - you may be close to overextending your credit, especially if these accounts are fairly large. You can't always close your accounts, especially if you are still paying your debts off. However, reducing the limit may make you eligible for a loan if you need one.

3) You have some credit, but you don't want to close your accounts entirely because you have not had credit for long. If you have several types of credit, it is not always wise to close them. Even if you can close those accounts, since lenders like to see long-term relationships with other lenders. Reducing the limits can make monthly payments more affordable and can actually give you a bigger credit boost than closing long-standing credit accounts.

4) You have no plans to take out a loan in the foreseeable future. In the short term, reducing your credit limits may lower your credit rating because your balances will make up a larger portion of a smaller credit. However, in the long term, smaller charge accounts will boost your credit score by making repayment of loans easier and by making you further from overextending your credit.

Tip #29: Immediately following a financial problem, start to repair your credit.

Financial problems affect people emotionally as well as monetarily. Many debtors sinking into depression about their financial problems, going into deep denial instead of facing the problems head on.

Everybody suffers from financial difficulties once in a while, and every professional in the field of finance - from loan managers to bankers - knows this. Additionally, financial professionals - including lenders - want your business, making them willing to work with you to help you solve your problems.

If you have had a financial problem, or are headed towards one, work on repairing the situation immediately. If your credit is suffering because you have not paid bills, arrange a payment schedule rather than wait for your accounts to be turned over to collection agencies.

Tips #30: Carefully consider finding a co-signer.

If you have poor credit scores following a bankruptcy or other financial disaster but need to get a loan, consider finding a co-signer. If your co-signer has assets or a better credit record, you may even qualify for a better loan rate.

However, be wary. If your co-signer refuses to make payments if you cannot, you will both suffer the credit fallout. Co-signers share responsibility for loans and credit - if one of you doesn't pay, both your and the co-signers credit will suffer.

On the other hand, if your cosigner has good credit and makes payments, the co-signed loan may boost your credit score.

Tip #31: Bankruptcy is an option.

Bankruptcy affects credit scores more than just about anything, and it affects your credit score for years to come. In the first few years after a bankruptcy, you may not be able to get loans at all.

A bankruptcy is a legal proceeding that either forgives you of your debts or allows you to pay off fraction of that debt. Bankruptcies will nearly ruin your credit rating initially, but it will allow you to dig out from overwhelming debt and reestablish a good credit rating again after several years. A bankruptcy is wiped from your credit report after ten years.

If you are deeply in debt and have no way of repaying your bills, a bankruptcy will stop collection agencies from calling you and other harassment from creditors. Additionally, your credit score is likely very low if you've been unable to make payments each month. A bankruptcy isn't actually all bad – some creditors are willing to take a risk with you, knowing that you cannot file for Chapter 7 bankruptcy for another six years, meaning you will have to repay your debt.

While a bankruptcy will depress your credit score, it gives you a chance to repair your credit by giving you a “clean slate” free of large debts.

Tip #32: Bankruptcy isn't an easy out.

Bankruptcy is a serious credit problem. After a bankruptcy, you will be ineligible for credit cards generally for a year (sometimes you'll receive credit card offers after six months), many types of credit and will be told what you can and cannot buy. Bankruptcy can also be emotionally draining. Bankruptcy should only be chosen as a last option if you really require your debts to be forgiven because you have no way of repaying them.

Tip #33: Learn from your mistakes.

Everyone makes some credit mistakes at some point. Don't despair over your mistakes, even the large ones. Rather, learn from your mistakes by analyzing them. Ask yourself such questions as:

- Do you overspend when you shop?
- Are you disorganized, causing you to forget to pay bills?
- Are your bills too large for your current income?
- Are you routinely overcharged for purchases but fail to notice until much later?

Identifying your problems and finding solutions will help you develop a good credit risk rating.

Dealing With Professional Credit Help

Credit repair is big business, and there are many companies promising to help you repair your credit. There are a number of legitimate resources to help you improve your credit score. Alternately, there are numerous shady companies willing to take your money while offer few (if any) valuable services.

To determine if a credit repair agency is legitimate:

Tip #34: Seek professional help.

If your credit is so bad you cannot get a loan and are even facing bankruptcy, consider seeking professional help. Among those who can assist you with repairing your credit score:

Bankruptcy lawyers and bankruptcy advisors: Bankruptcy lawyers will represent you in bankruptcy proceedings. Advisors will help you decide whether you should apply for bankruptcy and how to proceed once you do decide to file.

While getting a bankruptcy lawyer and filing for bankruptcy can be emotionally draining and will affect your credit score for several years, it will give you the invaluable opportunity to start over financially. You will also have the opportunity to reestablish your credit score.

Credit repair companies and credit counseling companies can assist you by acting on your behalf with credit companies, counseling you on what you can do to repay your bills faster, and assisting you in making better financial decisions.

Accountants and tax services: Accountants and tax filing services will ensure you do not overpay in taxes.

Bankers and bank officers: Most banks want to help you keep your money and are generally willing to work with you to make the most of it. Many banks offer free investing advice, saving advice, and personalized meetings with bank officers who can help you figure out your money situation.

Lenders and bad credit lenders: How you deal with lenders will determine how well your credit score works. Avoid too many inquiries by not applying for too many loans, establishing long-term business relationships with bankers, and doing business with bankers in an organized and professional way (i.e. paying your debts on time) will go a long way toward giving you a credit rating. A good credit rating will make it easier to deal with lenders.

Tip #35: Beware of credit repair companies.

Many companies advertise that they can help you with credit repair, but the quality of these services - not to mention what they offer - varies widely. Some companies can help you with credit repair while others are actually under investigation for suspect business practices. If you decide to seek help from a credit repair company, ensure the company is legitimate and offers you viable services.

Look for non-profit credit counseling services rather than credit repair companies (some of which are just lenders offering home equity loans anyway, which are of limited use to you if you want to improve your credit).

Make sure the company has good standing with the Better Business Bureau, and ask for client testimonials. Always read the paperwork carefully, and understand how much you are paying for the credit report before you sign. Before deciding to seek help from a counseling service, be sure you cannot resolve the problem on your own. You may need credit counseling if:

- You cannot pay your bills and must avoid the necessities of life.
- You avoid the phone, the mail, and the door because collection agencies are harassing you.
- You have avoided going out because you feel terrible about your financial state.
- You have no idea how you will repay your bills and loans, and you do not know where to start.

Tip #36: Seek free or inexpensive help first.

If you need credit repair, odds are your finances aren't in the best possible shape. Attempt to spend as little as possible on credit repair - use the money you'll save to pay your debts. Before seeking credit repair services, attempt to repair your own credit using the advice in this book.

Seek free or inexpensive sources of credit repair help. Some non-profit credit counseling services are actually registered charities and will work on your behalf. If you can get help from one of these companies or undertake credit repair yourself, you will be able to save money quite easily.

Furthermore, these companies are generally more legitimate than credit repair companies that take your money.

Tip # 37: It will be easier for financial experts to help you if you seek credit repair help sooner rather than later.

Seek help before your financial situation spirals out of control. After all, credit repair experts can do little for you if your credit and financial situation is so bad that the only remaining option is bankruptcy.

Tip #38: Beware of credit repair scams.

Beware of credit repair scams – they're not only floating around in cyber space - companies promising to rid you of bad credit, when in reality these so-called experts offering will overcharge you, involve you in illegal activity, or put you in a worse financial situation.

Among the most common scams are:

1) You are told to lie loan applications or to develop a second identity. Both activities are illegal, not to mention dishonest. If a company suggests you open accounts in a new name or falsify your information on loan applications, run in the other direction, and don't look back.

If you engage in such activity, you can be charged with fraud, even if you did so at the company's instruction. Never break the law to repair your credit.

2) Credit repair companies that charge you fees or hidden fees for things, such as developing a budget. Don't pay for anything you can do yourself for free.

3) Credit repair companies that promise to pay your creditors from money you pay to them and which they keep in an escrow account. Be warned: this is ALWAYS a scam; don't fall into the trap.

Here's how it works: you give money to the credit repair company, assuming the company will in turn use it to pay off your debts. The company places the money in an escrow account, allowing the money to accrue interest. The company claims it will eventually pay off your debts when the amount reached in the account matches the debts. In the meantime, the credit repair company is removing some money from the account for administrative fees while creditors are becoming more and more anxious, increasing the interest on the debts and even starting legal action against you, the debtor. This so-called help can actually destroy your credit rating.

4) If a credit repair company pressures you, doesn't listen to you, or wants you to sign a contract you have not read, run the other way.

5) Companies that offer you fast or instant credit repair regardless of the state of your credit. No company – nor you – can fix your bad credit overnight. Don't allow yourself to believe such outrageous and untruthful claims.

It's common for such companies to claim they can remove your poor credit history from your credit report by disputing it. This is simply untrue. There is no legal way to remove accurate information from an accurate credit report. While credit bureaus must investigate claims of inaccurate information within thirty days, the company does not automatically remove that information at the end of thirty days.

If the information is accurate, the credit report will remain unchanged. Credit bureaus are aware of this common credit repair scheme and have become very good at detecting it. Many credit repair companies (and even some individuals) try to dispute everything on credit reports, hoping that the backlog of disputes will cause the credit bureau to automatically remove the offending items. Credit bureaus are legally required to remove disputed items not investigated within 30 days. Because you are disputing accurate information, you are participating in a scam if you allow a company to do this on your behalf..

Never do business with a company that engages in such dishonest behavior.

6) Steer clear of those companies that try to take money for things you could do yourself. You can get copies of your credit reports and have the errors on them fixed for free.

If a company does not advise you of your credit rights, be ware that they are not really championing your cause. Don't do business with such businesses.

Tip #38: Get a good team on your side to help you with your credit score.

A strong team of professionals can help you boost your credit score. You are the most important member of that team. With the help of this book, you will now have the knowledge to become your own best advocate in credit repair. Additionally, you may want to check with your local library for financial help books. You may also want to include financial experts such as credit counselors or others to help you.

If you decide to seek the advice of experts, check each person's credentials, standing with the Better Business Bureau, and past clients to make sure that the person or company can really help you. Sign a contract or an agreement with each professional member of your team.

Tip #39: Your bank is a valuable resource – take advantage of it.

One free, professional source of credit information is your bank. Your banking officer may be able to offer you a great deal of professional, free advice, especially as banks are trying harder to provide good personal services to customers.

Your bank may also have a number of credit solutions - such as overdraft protection - that can help you keep your credit in good repair. Banks have begun to realize that many of their clients are dealing with less than ideal credit and are thus trying to meet these new; as such, they can actually be a powerful ally for those trying to improve their credit.

General Good Financial Habits Build Good Credit Scores

In short, your credit score is meant to be a snapshot of your overall financial habits, especially regarding debts and other financial responsibilities. You must develop sound financial habits to help you raise your credit score. Good financial habits ensure that you won't get into too much debt, and you are easily able to meet your financial duties.

Learn to:

Tip #40: Set and adhere to a budget.

Overspending is one of American consumers' biggest problems. This overspending is often a result of planning to budget weekly or monthly to determine how much money you need to pay your bills and your other necessities.

Contrary to popular belief, a budget does not have to be constricting or complicated. Write down how much you earn each month, and stipulate how much you really need to spend on savings, rent, utilities, food, personal care, transportation, spending money, entertainment, hobbies, education, and other items. Account for **every** expense.

Then, commit yourself to spending your budget. Of course, some expenses on your list will change each month. You may spend more on heating bills in the winter than in the summer, but estimating will ensure you can meet all your financial responsibilities.

Tip #41: Don't over do it.

Many people believe that if they only had more money, they would not have to worry about credit. Not true. Many people with money still have horrible credit.

Your income doesn't determine whether you are a good or a bad credit risk. How you handle money determines your credit risk. You might earn \$7 per hour, pay your bills on time, and meet all of your financial responsibilities - and you will have amazing credit.

You could also earn \$300,000 a year, but you might also owe double what you make, and struggle to pay the bills. Whether you're making \$30,000 or \$300,000 a year, you can have a strong credit score if you spend less than you earn. Live below - not beyond - your means.

Your income is not a factor in determining your credit score. Your former and current employers are listed on your credit report and lenders may estimate your financial status from your loan amounts. However, your income is not taken into consideration.

If you won the lottery today or suddenly inherited a large sum of money, your credit score would not increase.

Tip #42: Stop spending so much.

We are inundated with advertisements that tell us to buy, buy, buy. When we want to read a book, we buy it. When we want to go somewhere, we take a cab or drive rather than walking.

Stop spending so much. Use the library instead of purchasing books; walking instead of taking a car; buying a used computer instead of a new one. Learn to spend less and save more.

1) Carry a small amount of cash with you when you go out, leaving your credit cards at home, so you cannot overspend.

2) Throw catalogs away or cancel catalogs you regularly get. Advertisements and catalogues encourage you to spend and buy when you don't need to.

3) Eat at home. Dining out or ordering delivery is always more expensive cooking. Do your own taxes. Wash your own car; run your own errands; mow your lawn. When you do something yourself, you save money.

4) Watch less television. TV consists, in large part, of advertisements encouraging us to spend and spend. Avoid temptation by turning off the TV.

5) Make do or do without. Use your extra money for paying off debts and reestablishing your credit. Make do with what you have, and avoid shopping except when necessary.

6) Buy discount or used.

Save your money by spending less, and you'll pay off your debts faster, something that can improve your credit score dramatically.

Tip #43: Start saving money.

Save money each month. Whether you are able to save \$25 a month, \$200 or more, saving and investing your savings will prepare you for financial emergencies, will help you avoid overspending, and will allow you to build investments that can help you in later years.

With savings in the bank, you won't have to worry that sudden illness will make you unable to pay your bills, resulting in a hit to your credit.

Save ten percent of your income, if at all possible. Use your invested savings to ensure your debts don't become overwhelming. Most employers and banks will even deduct a certain amount of money from your paycheck or account each month to be put into investments.

This can be a very convenient way to save, as you are unlikely to miss or spend money you have taken out before you can get your hands on it.

Tip #44: Know where you are spending your money.

Most people are surprised by how quickly their money seems to be spent. Impulse spending and small-change spending adds up quickly. Small-change spending is small spending we do without even thinking about it - buying a coffee or a newspaper we don't need.

Impulse spending refers to buying things we don't use or we don't need. In both cases, we end up spending too much unnecessarily, which is detrimental to repairing your credit.

For a month, keep a daily record of every penny you spend, including the money you spend on phones, tips, cups of coffee and so on. You will be amazed to see just where your money goes.

Keeping track of your money this way helps you in two important ways:

- 1) It automatically cuts down on spending. If you have to write down where you spend your money, you will be much more careful on what you spend your money.
- 2) It allows you to see where you waste your money and take steps to stop the bad habit. If you notice you always buy the newspaper on Saturday but never read it, for example, you can cut out that purchase. Small savings can add up over the years and can put you in good financial shape which will be reflected in your credit risk rating.

Tip #45: Cancel cable, save money.

- Do you have cable?
- Do you subscribe to a lot of magazines?
- Do you build your DVD collection so fast, you can't watch all the movies you have?

We all entertain ourselves with money, but most of us have at least one or two entertainments that we have either outgrown or don't enjoy as much as we once did. Cutting out that expense and investing the savings can put us on our way to saving for retirement or paying off our bills. If you forgo cable television, you can pay off your credit cards much faster, improving your credit score.

Tip #46: Build assets and capital.

Whether it is buying a car, a home, or creating an investment portfolio, having assets will help improve your credit score by allowing you take out secured credit, or credit in which your assets are used as collateral.

When you take out secured credit, such as a mortgage, you will enjoy lower interest rates and have an easier time getting approved. As you repay your secured debt, your credit score will improve. Even better, lenders do look at the types of credit you have. If you have a mix of secured and unsecured credit, you will enjoy better risk rating scores as it will indicate you have the means to repay your debts.

Building assets and capital is also a way of building financial stability which will protect your credit score. If you have assets such as savings or investments, you have a way of generating income or repaying debts in case of an emergency. You also have ready money you can use in case of unexpected medical bills or other problems.

Tip #47: Find a way to raise your income.

While you are repairing your credit, you want to put as much money as you can into savings and debt repayment. Having a second income or even a few hundred dollars a month more can mean you are able to get your credit into better shape much faster.

Having a secondary form of income can also keep your credit safe - if you lose your job, you can use the money you make from a secondary source to repay your bills until you find another form of employment.

There are many ways to raise your income:

- Ask for a raise.
- Sell something through the Internet or through a company.
- Start a part-time, small business
- Rent out part of your home..
- Get a part-time or weekend job.

Tip #48: Prepare for financial emergencies.

Few of us think about what would happen if we lost our jobs or suddenly became too ill to work. The thought is simply too terrible to contemplate in many cases, especially if we are living paycheck to paycheck with a job as it is.

Financial emergencies happen to almost everyone at some point, and they can have devastating impact on your credit. In fact, most people who declare bankruptcy do so because of a huge financial disaster such as sudden unemployment, huge medical bills, a lawsuit, or a divorce. Despite this, few people plan for such problems.

If you want to keep your credit score strong, know exactly what you would do in case of an emergency. Developing a written plan will help you by allowing you to know what action you need to take to save your credit as soon as an emergency occurs.

Your financial emergency plan should include:

- 1) A list of all assets you could liquidate if necessary.
- 2) A list of all extras or luxuries you could cut (i.e. newspaper subscriptions, cable television, water delivery service, going to the movies).
- 3) A list of resources you have to help you in case of an emergency. For example, you may know a lawyer who deals in financial facets of the law. Maybe you have insurance or your employer offers a severance package. Whatever it is, write it down. Keeping a list of these resources will make them easier to access in case of an emergency.
- 4) Other ways you can earn money - as we just discussed.

Tip #49: Get overdraft protection, insurance on your credit cards, or other services to keep your credit in good shape

Talk to your bank and lenders about services they offer to keep you safe. Overdraft protection, for example, is a basic service that often costs nothing or very little but it protects you if you withdraw too much money from your bank account.

With overdraft protection, you do not get a dent on your credit report or a charge for insufficient funds. In most cases, you get a day or two to add more money to the account to cover the gap. Some credit cards and other loans offer a similar service or offer insurance, which protects you in case you lose your job and are unable to pay for a few months.

Tip #50: Take out insurance.

Insurance for health, cars, homes, and for liability can help you avoid the huge legal and medical bills that can result from an accident or sudden problem. For a small monthly fee, you are covered against unexpected events that can drain your finances and leave you with out-of-control debt.

Tip #51: Get a prenuptial agreement, and have a lawyer go over all your business contracts.

Most bankruptcies are caused by the fallout that results from business failures, lawsuits, health costs, and divorces. Having a prenuptial agreement helps to ensure that a divorce will not adversely affect your finances and lead to a ruined credit rating (keeping accounts separate while married is also a good idea, as your spouse's own financial troubles can easily become your own). Having a lawyer look over contracts can reduce the risk of unfavorable agreements that can put you at a disadvantage in business.

Think Like a Lender

If you think like a lender, you can see which habits and traits you need to develop to be considered a good credit risk. Thinking like a lender will help you understand how you must manage your money to be appealing to lenders.

Tip #52: Know how money works.

Reading books about money and understanding how your accounts and loans work can go a long way toward helping you keep your credit in good repair. For example, if you know that some loans will charge you extra if you pay off your loan faster while others will not, you will be in a better position to make financial decisions.

Additionally, the more you know about money, the more comfortable you will be with it and the better decisions you will be able to make, which will help improve your overall financial state and will help you keep your credit in good shape.

You don't need to do heavy-duty research to appreciate how money works. One easy way to consider money is to think of it the way you think of time. You likely hate to waste time and you want to make the best use of it possible. Apply the same attitudes to your financial life and watch your finances soar.

If overspending has caused you to have a bad credit score, consider the following sneaky mind set trick: equate your money with your time. For example, if you make twenty dollars an hour, a magazine subscription of \$20 will represent one hour of your work.

Imagine an hour of your work, and ask yourself whether the subscription is worth the time you put into the twenty dollars. Once you start seeing money as something that comes from your hard work rather than a general thing, impulse spending will seem much less attractive, and it will be easier to keep your credit card limits low and your bank account stocked up with cash.

Tip #53: Take care of those things besides a credit score that affect how lenders view you.

Lenders often look at your credit score and at other financial indicators, such as your income, employment record, and savings. Keeping these things in order can complement your credit score and can help you attain good overall credit. Some lenders have their own ways of calculating credit scores, so keeping your overall financial system in good shape is one way to ensure you are in good shape in all lenders' eyes.

When a lender asks to see your credit score, the credit bureaus send your credit score, and the top four reasons your credit score has been lowered. The most common reasons for lowered credit scores are:

- 1) Serious delinquency in repaying accounts or bills.
- 2) Public record of bankruptcy, civil judgment, or report to a collection agency.
- 3) Recent unpaid or late paid debts or accounts.
- 4) Short-term credit record.
- 5) Lots of new accounts.
- 6) Many accounts have late payments, defaults, or non-payments.
- 7) Large debts or amounts owed.

Knowing that your lender sees these possible problems can help you see the need to develop the best possible face to present to a lender. Lenders who look at your entire credit report may get a more positive picture of you than lenders who see only a number and four reasons for a lower score.

Tip #54: Follow up on closed accounts.

You closed a store card several years ago. However, it may still be listed on your credit report. Bureaucratic mix-ups happen, often quite frequently. If you want to keep your credit score good, follow up on financial details.

When you close an account - whether it's a credit account, bank account, or utility company account, get written confirmation that the account is closed and paid in full then follow up a few months later with the company to confirm the closed account. This simple precaution can save you hours of frustration and a lowered credit score.

Tip #55: Don't move a lot.

Lenders like to see stability - it suggests stability in financial matters as well as in your life, and makes you a better credit risk. Every time you move, you may have to change your credit information, including switching banks. This actually negatively affects your credit score by not allowing you to develop long-term relationships with lenders.

Remember, your current and past addresses are listed on your credit report even if they do not directly affect your credit score. Any lender looking at your full credit report will be pleased to see that you create a stable life for yourself. Not moving too frequently can also save you money on moving costs, which can add up quite quickly.

Tip #56: Don't change jobs frequently.

Of course, there will be times when you have to change jobs. However, avoiding changing jobs unnecessarily will help improve your credit score by allowing you to stay in one place to build a steady financial situation.

Your credit report also shows your current and past jobs - if a lender sees you change jobs frequently, he may wonder whether you have the life stability required to handle debt responsibilities. The lender cannot see why you left a job. If there are many employers listed on your credit report, the lender may wonder whether you have been fired and whether that is an indication you will be unable to pay your debts due to unemployment at some point in the future.

A lender makes its money by the interest charged on a loan. If you default on a loan, you cause the lender to lose money. Above all, the lender wants to see evidence in your credit record that you have the traits that will make you repay the loan - with interest.

Frequent job changes may indicate - to some lenders - you will simply disappear with the money or default on a loan. Having a stable life - including a longer-term job and one place of residence - may indicate to lenders, on the other hand, that you are establishing roots and will be unlikely to move and default.

Tip #57: Switch credit companies and credit accounts only when necessary.

Credit companies often offer special introductory rates, generous free gifts, or other incentives to switch companies. However, you should resist the temptation unless you have a reasonable reason to switch. Establishing a good credit relationship with one company - having one credit card from your college days, for example - is a good way to show lenders you are a steady person who takes money matters seriously. Switching accounts and lenders makes you appear fickle and less than reliable.

Tip #58: Keep your records up to date.

Not knowing what is going on in your own financial life is flirting with disaster. Keep one file folder in your home which contains your financial information, and review it periodically. If something changes in your life - you get married, you start a family, you move or change jobs - look through your financial folder, and contact everyone who needs to be contacted to update them on the change to ensure all your creditors have the information they need. Keeping your own records up to date will help you make sure that everyone who handles your finances is also up-to-date.

Tip #59: Your creditors should always know your current address.

If you move and forget to inform your creditors of your new address, you may not get all your bills, making you look like a deadbeat debtor and making your credit score plummet. Either close your credit accounts, or get your new address and contact information to your creditors.

When you move, inform credit card companies, stores you have credit cards with, banks, credit unions, and anyone else with whom you do financial business. Arrange with the post office to have your mail automatically forwarded to you at your new address to ensure any creditors you may have overlooked will still be able to contact you, and you will have a second chance to remind them of your address change.

Tip #60: Talk to your lenders and creditors.

Many people are hesitant to keep an open line of communication with their lenders because they are embarrassed about their financial state. Lenders can't read your mind, and don't know you can't make a payment this month but will be able to make a double payment next month because of a banking error. They simply see that you have failed to make a payment, which may indicate a temporary problem or a decision on your part to default on your loan.

Without your input, your creditors have no way of knowing, and since their profits and money are at risk, they tend to take the more conservative view and even assume the worst. Keeping the lines of communication open as soon as a problem develops can reassure your lenders and can help your creditors see you are responsible with their money.

Talking to lenders as soon as a problem develops can be an effective way to prevent a dent on your credit score. For example, if you have trouble paying your bills, you can often work out a more reasonable payment schedule.

In most cases, your credit record will not suffer if you do this because the lender will have some assurance that your financial obligations will still be met. In fact, one of the things that most credit repair companies do is to arrange for more reasonable payment schedules. With a phone call, you can do this for yourself for no charge.

Lenders want to be repaid, so their interest rates can earn them a profit. By communicating when there is a problem and showing you are willing to work hard to meet your responsibilities, you show your creditors they will get their money. In turn, lenders become more willing to work with you to ensure your credit rating is not negatively affected by one missed or late payment. Speaking with your creditors can help establish a good working relationship that can help keep your credit rating in good shape.

Tip #61: Ask lenders to waive late fees and charges.

If you have missed some payments or made some late payments, lenders will often charge you a fee. You have to pay more on your bills and get a dent on your credit. It also makes bills more difficult to repay since the bills are now higher. You can call the lender and get the charge waived in most cases, though.

Lenders want to get paid, and if they think you will pay your bill more quickly by waiving the late fee, they will most often gladly remove the fee in exchange for prompt payment.

Develop an Organized Strategy to Repair Your Credit Score

Tip # 62: Stay financially organized.

Keep all your financial records, including tax records, in one place. Record the days you paid your bills on the bills themselves. Note how much you owe and where you owe money. Keeping your financial information in one place allows you to refer to it easily. Seeing all your financial life in one place also makes it easier for you to see where your credit and your financial life still needs work.

Keep in your financial file:

- Bills
- Tax receipts and forms
- Articles and pamphlets about debt
- Your credit reports and scores
- A list of contacts that affect your financial life (such as your bank and credit agencies, for example)
- Your written emergency plan, detailing what you should do in case of a sudden loss of job or other problem
- Banking information
- Financial forms
- Investment information
- Deeds to your assets (such as your house)
- Agreements you have signed for loans and other financial services
- A list of your financial goals
- Insurance forms

You may want to buy a box and keep your separate information in different labeled folders (tax information together, for example, and bills in another folder) for easy referencing. Whatever system you use, you will find it much easier to manage your finances and your credit if you don't have to hunt for random pieces of paper.

Tip #63: Set short-term goals and frequently conduct credit self-checks to track your progress.

Credit repair takes time and effort. Some days, it will seem you are getting no closer to a better credit score. To keep track of your progress and to keep moving forward, set goals and keep track of what you are doing.

For example, setting a goal such as "I will improve my credit score" is too broad. Set smaller goals, such as "I will talk to my bank about budgeting this week," or "I will pay off half my credit card bill by next month." These goals work better because they are manageable and have a built-in deadline.

Writing your goals on a calendar or planner you look at everyday will motivate you to keep working on your credit repair and will keep you making the small steps that can lead to better credit. If you review how far you have come each month or week, you can really keep track of your progress and see how much you still have to do.

Tip #64: Take care of the details when applying for credit or for a credit report.

Little things make a big difference. Misquoting your social security number or using a slightly different name (Jane Doe Smith instead of Jane Smith) can make a big difference, since credit bureaus can count the two names as different people. Fill out each financial form accurately and in the same way goes a long way in ensuring there are no mistakes in identity that can affect your credit score.

Tip #65: Don't make the mistake of thinking that small differences in credit scores or loan interest rates won't make a big impact,

A few points on a credit score can mean the difference between a lender offering you a prime rate reserved for the best credit risks and the worse interest rate offered to less than prime customers. While it may amount to only a few percentages in different loan rates, it can make a huge impact, especially on a large purchase. For example, a few percentage points on a long-term fixed-rate loan can mean the difference between tens of thousands of dollars saved - or tens of thousands of dollars overspent.

Boost your credit score by every percentage point you can and fight for the very lowest interest rate loans you can. After all, if you have larger payments each month due to a higher interest rate than you deserve, you'll have a harder time repaying your bills. You will also qualify for fewer loans if you have higher-than-needed interest rates, as you will be able to afford fewer of the larger monthly payments.

Tip#66: Stay organized with a to-do list, so you won't forget anything.

Relatively small things can help repair your credit. To ensure you don't overlook any one thing, create a to-do list.

List credit accounts you need to close, accounts you need to pay down, people you need to contact, and things you need to research. As you tick off each item, you will get a real sense of accomplishment knowing you are taking steps to improve your finances. Keeping a credit repair checklist posted will also keep you on track and let you know what you still need to do.

Tip #67: Take advantage of automation.

Because of automatic bank payments, you can have your bills taken out of your checking account each month or even have your bills charged to your credit card. Automatic bill payments are incredibly helpful, especially if you have a penchant for forgetting to pay bills.

You can also set up your email to send you automatic reminders of bills that are due soon, so you can pay them. Such automation can help you keep your credit score clean if your credit score suffers mainly from forgetfulness or disorganization.

Loans and Your Credit Score

Loans affect your credit score more than almost any other item on your credit report. The type of loans you have, how long you have had loans, the amounts you owe, and your payment history on your loans all have the biggest impacts on your credit score. If you can control your loans, you can boost your credit score.

Tip #68: Refinance.

If you got a poor deal on a loan - especially a major loan such as a car or home loan - or if your credit rating has improved since you got your loan, consider refinancing. Refinancing means you take your loan to another lender, so you can find better terms or rates.

Don't want to do this too often as it prevents you from developing long-term relationships with lenders and results in inquiries on your credit report. However, if you have good reasons to refinance, it can actually help you repay your debts. For example, if you can get more reasonable monthly bills, you will actually be able to repay, refinancing can help prevent all those non-payment credit dents that come from not being able to pay your bills. Making your payments more affordable can save you money and your credit score.

In the short term, refinancing can push your credit score down, as you will acquire inquiries on your credit report as you look for a new lender and as you close old accounts and open new accounts. In the long term, refinancing can boost your credit score. If you are now missing or delaying payments because you cannot afford monthly bills, for example, refinancing a loan or two can be a good way to get back on track and can get you repairing your credit score again.

Tip #69: Find loans for bad credit risks.

If your credit score is bad but you need a loan, consider services that cater to people with poor credit scores. These companies know that some creditors with poor credit scores will still make their payments on time and are willing to speak with debtors other companies would reject out of hand. You may have to deal with higher interest rates, but choosing a bad credit lender can go a long way to ensuring your credit score won't disqualify you for a loan.

In the long run, you can always refinance your loan to take advantage of a better rate once your credit score improves.

Tip #70: Always know your credit score before approaching to lenders.

Many people assume having an excellent credit score is enough when applying for a loan. It is not. Some lenders are not terribly scrupulous about offering you the best rate, especially if they can gain by having you pay higher interest. Some lenders will try to tell you your credit score is lower than it is and that disqualifies you from a better rate. Some may rely on your ignorance about your credit score to quote you a worse rate.

Never let a lender do this. Always look up your credit score before shopping for a major loan and if you are quoted a rate you think is unfair, tell the credit officer your credit score of 700 (or whatever the score is) seems to indicate a better loan.

Show the lender your printed copy of your credit score. If the lender tries to tell you lenders get more accurate credit scores than customers who look up their own credit scores or try to tell you your credit score has changed, walk away. There are many reputable lenders out there. Find one of them rather than relying on a lender who will try to lie to make a profit.

Tip #71: Consider talking with lenders face-to-face if you have a bad credit score.

If you apply for a loan over the phone or online, your credit score will count the most, because that is all the lender will likely look at before providing you with a quote. If you have bad credit and need a loan, meeting with a lender face-to-face is your best bet. An actual meeting allows a lender to get an impression of you, and allows you to explain the problems you have had in the past and the things you are doing now to make yourself a better credit risk.

When you meet a lender in person, you force him to stop looking at you as a credit score number and make him look at you as an entire person. This can be a huge advantage for you (especially if you are personable) and can help you get the loan for which your credit score does not completely qualify you..

Make Credit Repair Easier on Yourself

Credit repair is by no means easy. It requires continual work and effort to get a good credit score and to improve a bad one. In today's busy life, you stand a much better chance of creating a better credit score if you make it as easy on yourself as possible. In many cases, people actually have low credit scores not because of carelessness or indifference, but because hectic lifestyles lead to oversights and missed credit payments.

Tip #72: Don't let a bad credit score make you swear off must-have purchases.

You will make life much harder on yourself if you deny yourself things you need, such as medical treatments, because your credit is poor. If you have bad credit, but need money for something urgent, consider a secured loan or a bad credit loan with generous terms. **Do not** let bad credit affect your ability to stay safe and healthy.

Some people think that getting credit while trying to repair their credit score is bad idea. While it's true you may not get the best interest rates on the loans you get in the time before your credit score is improved; getting loans that you need may simply be too important to put off.

Tip #73: Make arrangements to pay your bills when you are on vacation or ill.

When we go on vacation, we want to get away from every day life. However, forgetting to pay our bills while we're on vacation risks damaging our credit reports.

Pay your bills in advance or arrange for someone to pay your bills while you are away. Similarly, while you are ill, arrange to have bills paid so they don't pile up and you don't get marked as a "non-payer." It's frustrating to be trying to improve a credit score only to suffer a setback over a small oversight.

Tip #74: Online banking and telephone banking make bill payment easier.

If you have trouble paying you bills on time, consider online or telephone banking, which is now available with most banks and allows you to pay your bills in minutes at any time of the day or night. If you travel a lot, online or telephone banking can be a real life-saver.

Additionally, you get instant confirmation of the paid bill and your payment is generally counted immediately. You no longer have to worry about payments getting lost in the mail or getting lost in a bureaucratic shuffle. The record of the payment is right on your bank account statement.

Tip #75: Make paying your bills even easier.

You can often get great discounts by choosing to get several services from the same company - for example, a package deal from your phone company can give you internet access, long distance phone plans, and cable television - all on one bill for a low price. Pooling your insurance into one package from one insurance provider can have the same effect. Reducing the number of bills you have make it easier for you to pay your bills and reduces the chances your credit rating will be affected by non-paid or late paid bills.

Tip #76: Pay your bills immediately.

If you leave your bills until later, you may forget and risk being listed as a late payer. Some companies may not report you to credit bureaus right away, but others report even one skipped or late payment, which can affect your credit rating.

Tip #77: Set a schedule for paying bills.

If you are too busy to pay your bills immediately, set aside one hour each week for paying your bills and organizing your finances. Have the same place and time set aside each week, so paying incoming bills and taking care of your finances becomes an automatic good habit.

Make sure that the place you set aside is quiet and contains pens, a calendar, stamps, envelopes, and your payment information. Paying bills in this way can reduce the number of non-payments and late payments you make. Reducing these problems can help improve your credit risk rating.

Tip #78: Record your financial duties on a calendar.

Mark when bills are due, so you will be less likely to overlook important deadlines.

Tip #79: Take advantage of the internet.

There are a plethora of online resources to help you find credit information and can help you with your credit repair project:

The FICO web site - www.myfico.com - contains lots of useful credit repair information and allows you to order credit reports and scores.

The credit bureaus (www.transunion.com, www.equifax.com and www.experian.com) allow you to order credit scores and credit reports online.

You can also get information on reporting errors on your credit report online. Your bank likely offers online banking, which can make managing your accounts easier.

Most companies - including utility companies and credit card companies - allow you to get your bills right in your inbox. Such a feature allows you to get your bill right immediately, cuts down on the amount of mail you get, and allows you to pay your bill online. Additionally, many accounting software packages allow you to coordinate all your financial information through one program, which can make taking care of your finances automatic and timely.

Student Credit Repair

Student debts are rising and the numbers of students who leave school with ruined credit scores is also rising. Many experts place blame on larger credit card debts and rising tuition costs (that lead to larger student loans).

Despite the pressures of today's student life, students *can* leave school with a good credit score and can develop good financial habits to ensure a lifetime of good credit.

Tip #80: If you are a student, your school's financial aid office is a valuable resource: use it.

If you are a college student, your school's financial aid office should be one of your first stops at the campus. Few students fail to visit their financial aid office regularly while they are in school. The financial aid office at most universities has more than enough information to help you keep your credit score in excellent shape.

The financial aid office offers one-on-one financial counseling, information about scholarships, tips on budgeting, books on handling money, and many more resources. The officers at your financial aid office can offer you help on almost any aspect of financial help - including helping you figure out credit scoring. Additionally, many financial aid offices have workshops to teach you about dealing with money and credit, and even offer free tax filing services.

In fact, the financial aid office is so useful you may want to call the school you attended in the past to ask whether alumni are eligible for any services at the financial aid office. The resources you can get for free from these offices are simply too good to pass up.

Tip #81: Carefully budget.

Student loans must be paid back and often for very large amounts. Taking out the smallest loans you can and sticking to a budget can help establish good credit habits that can help ensure you have a good credit score when you graduate. Additionally, since student loans are for a limited amount, you can easily budget. You will know how much money you will have each month and how much money you will need for housing, tuition, and other expenses.

Tip #82: Pay for your education through means other than loans, if at all possible.

Student loans are becoming a big problem for more and more students. On the one hand, student and college loans help students who could otherwise not afford go to college.

On the other hand, huge student loans can be an overwhelming financial burden following graduation.

While most college and student loans do not have to be repaid until after graduation, the time after graduation usually carries some large financial responsibilities. Many college graduates want or need a car, a good job, and possibly a house. Each of these things requires a good credit standing, but large student loans require larger monthly repayments and may affect credit scores by overextending credit.

As tuition fees rise, larger student loans are becoming the norm, leading to financial hardship down the road for many students. Take out the smallest loan you can, relying on jobs, savings, scholarships, bursaries, and other forms of financial aid to make up the rest of your tuition and living expenses. Rely on loans only as a last alternative.

Student and college loans are an investment in your future since they can help you get the education you need to have a fulfilling career. However, loans are serious and are usually a long-term financial responsibility. If you need a loan to pay for college, get the smallest loan you can and the best terms and rates possible.

Need-based government-subsidized student loans generally offer the best terms and rates. College and student loans from private lenders may offer decent rates. Personal loans and credit cards should only be used when absolutely necessary to pay for an education, as these tend to have higher interest rates and require you start repaying them immediately.

Tip #83: (Almost) never default on a student loan.

Many students think that defaulting on a student loan after graduation is a smart way to get rid of the debt. After all, they no longer need the money for school and in fact need the money for settling into a job and new home.

However, defaulting on a student loan is a terrible mistake in almost all cases, because it affects your credit rating tremendously. If you have student loans, start repaying them on schedule and repay them on time. Doing so will actually improve your credit score.

If you have trouble repaying your student loans, speak to the lenders rather than ignoring the problem. Most lenders will actually give you a six month grace period after graduation, so you can find a job and settle into post-college life before repaying your loans.

If you have several loans, your lenders may be willing to help you pool them into one larger loan payment that requires smaller monthly payments. Some lenders will also give a few months grace period in case of unemployment.

Read your loan agreements carefully, so you know the terms and conditions. If you need to, work out a different payment schedule, seek refinancing, or find some other way to repay.

Only default on your student loans as a last resort when you really have no way of repaying your debts. Be prepared for the decision to affect your credit score quite badly for some time.

Once you default on one loan, it really counts against your credit rating, especially since as a new graduate you do not have a long credit history yet. After all, lenders who see you have defaulted on one financial responsibility will wonder why you won't default on their loan, too. After defaulting on your student loan, you may be unable to get credit for some time, and you will have to work much, much harder to re-establish good credit.

Tip #84: Take advantage of student discounts.

Student life, for the most part, is inexpensive. Student housing create inexpensive living; on-campus facilities offer great services at discount rates, and many businesses offer student-only deals.

Take advantage of these offers to make your student money stretch further, allowing you to take out the smallest student loans possible. Find the best student-deal offers, ranging from travel deals to free tax filing services, available from your campus and from surrounding businesses.

Make use of the free services on campus - such as renting movies for free from the film department or working out in the school gym - rather than paying for these same services off campus.

Tip #85: Follow the "cash for wants, loans for needs" rule.

Many students fall in love with credit cards. Credit card companies know this, too, and routinely heavily advertise on college campuses, even offering students free food or gifts to fill out a credit application. While the convenience of a credit card is tempting, use it only for major purchases, saving cash for entertainment, food, clothes, and such items. Studies have repeatedly shown that those who pay cash for items routinely spend less than those charging or using debt cards to pay.

Using only cash for entertainment and other small needs ensures you won't spend more than you have to. You also won't be paying for months for something that is long gone.

Tip #86: Priority #1: Learn about money.

Whether you attend information sessions at your school's financial aid office, read about money, or meet with your bank's financial officers, it's essential you learn about how to manage your money.

For many students, their time away from home is one of the first times they are responsible for finances, including bills. Learning how to manage money early in life helps ensure you will enjoy a good credit standing the rest of your life. Learning about money will also help you prevent costly credit mistakes.

Tip #87: Start building credit early - and do it well.

Start building credit even before you begin college, if you plan on taking out college loans. Ask your parents to sign over a bill you pay on time each month. Get a credit card with a low limit and a bank account that you balance each month. Avoid opening several credit cards at once - not only will they be hard to repay, but having several new accounts when you have a short credit history will actually cause your credit rating to drop. Get a part-time job.

Each of these things can help you establish good credit, high, and can in turn can help you get a good student loan rate. More importantly, establishing credit early will help ensure you have a long (and good) credit history by the time you graduate from college, which will help you with all your important, large post-graduation expenses.

Dealing with Debt

Debt is a major factor in your credit score. If you have too much or no debt, or if you have trouble repaying your debts on time, your credit score will plummet. Keep your debts reasonable and paid to improve your credit score.

Tip #88: Consider loan consolidation.

Having a lot of debt is one of the biggest reasons for poor credit ratings. The larger your debts, the worse your credit rating and the more likely you will find yourself with large monthly bills difficult to repay.

When you consolidate your loans, you take out one large loan to repay all your creditors, so you only have one large loan to repay. While the overall amount of the loan does not change - if you owed \$20 000 to five different companies, you will still owe \$20 000 but to only one lender - but the interest rates and monthly payments are usually much smaller.

Debt consolidation can be an especially good idea if you have a lot of high-interest debt and of bills that are hard to keep track of.

Tip #89: Pay more than the minimum due.

If you only pay the minimum amount on each of your loans, it will take you many years to pay off your loans. Most lenders require you only pay slightly more than the interest amount on your debt each month. Even a debt of a few hundred dollars can take several years to repay this way.

Paying down your debts by putting down more than the minimum required monthly payment can help you pay down your debts faster and can boost your credit score. Paying down more than you need to also shows lenders you are in good financial shape and conscientious about your debts.

Tip #90: If you are taking out a new loan, have a larger down payment.

Doing all you can to take out a smaller loan - by putting down a larger down payment or buying a less expensive car or home (if that is what the loan is for), for example - helps ensure you don't overextend your credit and your monthly payments on the debt will be reasonable and affordable.

In fact, for larger purchases, some debtors take out piggyback loans, most often for a mortgage. They borrow money for a down payment, so they can get a better rate deal on the larger second loan they take out to pay for the purchase.

Do your math before making a big purchase - you may find that a larger down payment - even if you have to borrow to get it - can help your credit by making your payments more affordable and by ensuring you don't overextend your credit.

Tip #91: Use loan calculators to estimate your finances, and keep your credit rating strong.

Online loan calculators are useful and can help you determine how much of an interest rate you should pay, how much in monthly payments you can afford, and how much your loan will cost you in interest over the long term.

Online loan calculators are free and can help you figure out how to make your debts more affordable. There are online loan calculators for auto loans, home loans, and personal loans. If you are going to be getting a new loan, these calculators can be a powerful resource.

Tip #92: Avoid payday loans.

Payday loans are also called "cash advance loans," and are small, short-term loans that carry an exceedingly high interest rate. Some companies have even begun to advertise them as loans to help you repair your credit. Beware: such information is misleading. Some companies suggest these loans can help you pay off your bills thereby establishing good credit, but if you cannot afford to pay your payday loans on time, you have to "roll-over" or extend the loan, often at huge expense and interest. Many people get into a payday loans cycle, whereby much of their monthly paycheck goes towards paying off their ever-growing payday loans.

Currently several states are investigating payday loans for possible illegal activity stemming from usury laws. If you cannot afford your bills one month, you are much better trying to arrange an alternate payment schedule with the companies you owe money. Payday loans may be fine in a true emergency, but the payday loans cycle becomes unaffordable quickly and can destroy your credit rating.

Tip #93: Do not use one debt to repay another debt.

Taking out debt to repay another debt to conquer accumulating interest and unpayable bills is never advisable. If you use one credit card to pay off another, you are simply paying interest on interest, and paying off the new credit card bill will be much more difficult.

You also always be looking for new credit and new debt to pay off your increasing debts. It makes more sense to get a second job or to arrange for a new payment schedule.

Paying off your debts with another debt may help you in the short term, of course. You won't have a late payment on your credit record. However, in the long run the larger debt load will make maintaining good credit more difficult. The only exception to this rule is debt consolidation, in which all your bills are paid by one lender, who then becomes the only creditor to whom you owe money.

Credit Repair and Your Emotions

It is a subject that few people discuss, but more and more therapists are talking about it - the key link between our emotions and our money. We may think money is about our rational selves, but in fact our emotions are often very much invested in our pocketbooks.

If we want to repair our credit, we have to deal with the emotional as well as the numerical side of money.

Tip #94: Give Yourself a Break.

There is no point in beating yourself up over your credit score. Instead, promise yourself you will do better in the future then work to repair your credit rather than working on berating yourself. Take action to improve your credit rating which will improve your outlook as well as your credit.

Tip #95: Stop making excuses.

If you have fallen victim to identity theft or have genuinely been mistreated by a company, include an explanatory note in your credit report. However, most lenders don't want to hear excuses. Whatever your problems have been in the past, you will seem like much more reliable if you focus on what you are doing to get out of problems.

You will feel better and get better responses from lenders if you focus on current action rather than past mistakes. Instead of wallowing in pity and explaining in great detail the personal and financial problems that led to a bad credit rating, give lenders the condensed version then move on to a detailed review of what you are doing to repair your credit.

Tip #96: Treat yourself.

Reestablishing good credit is hard work and can be daunting. As you reach a milestone, reward yourself. You should do this through some means that don't involve debt or money. If you repay your credit card bill, don't run up that bill again on a shopping trip.

Instead, make a list of some inexpensive and fun treats you could give yourself. Keep this list wherever you keep your financial file. As you reach a big milestone, take out your list and immediately reward yourself with one of the items on the list. It will keep you motivated, and it will inexpensively keep you from feeling too deprived while you work on your credit score.

Tip #97: Work on your emotional response to debt and money.

Most of us carry a lot of emotional baggage with us when it comes to money. We see money as a marker of success, or we see money as a way of making ourselves feel better. Such attitudes lead us to much of our financial and credit problems. If we rely on money to make us feel successful, we are apt to overspend. If we fear –not having money, we are unlikely to save it or make investments with it.

We need to be aware of the ways we respond to money and how we deal with money. Some financial experts recommend clients keep money journals, in which they record their money hopes, their money fears, and their responses to spending and money. A money journal will show you how feel about spending and about money. If you can isolate the emotions that influence how you spend money and how you make your money decisions, you will be well on your way towards fixing your financial problems.

Tip #98: Never mix debt with emotion.

It pays to separate your feelings of worth and your emotions from your finances, especially when you are trying to repair your credit. Feeling self-pity, shame, fear, or sadness as you try to repair your credit score isn't going to help. Stay calm and professional as you deal with credit bureaus and financial professionals. Keep telling yourself your credit score is just an important number. Keep it separate from you and your emotional state as far as possible.

Bad credit can be emotionally trying. Keep track of your emotions during the process. If you find yourself dwelling on your credit too much or you're depressed, seek help at once. A credit problem is a fixable solution - do not let it become an emotional disaster for you.

Tip #99: Get help if and when you need it.

Ask for help - financial or emotional - if you need it. There are a number of wonderful organizations that can help you if a problem is causing your credit problems. If you have credit problems due to compulsive overspending, for example, Overspenders Anonymous can be a great help.

If you suffer from a gambling problem, there are a number of charitable organizations that can help you overcome the addiction. If you have accumulated debt as a result of these sorts of specific problems, you will not really be able to fix your credit rating unless you deal with the problems behind the bad credit. Many good groups and therapists can help you.

Find a recommendation for a good one from your family doctor or a trusted friend or family member.

Parting Credit Tips

Tip #100: Deal with collection agencies; don't avoid them.

If you have bad credit, you will have to deal with collection agencies sooner or later, and these companies often present the most persistent and unpleasant problem for those with bad credit. Collection agencies are basically companies that work on behalf of companies to try to recoup money that is owed.

If you owe your credit card company a payment that has not been made in some time, your credit card company will eventually ask a collection agency to speak with you. In many cases, collection agencies try to get money for their clients through phone calls. Some collection agencies are quite reasonable and will try to work with you. However, some will use threatening or harassing techniques - including verbal threats and daily phone calls - to try to get you to pay. To prevent the stress that collection agencies can cause, learn to deal with collection agencies.

Always get the full name of whomever you speak with at a collection agency, and be honest about your ability to repay. Try to work out a payment schedule or payment options. If you feel threatened or harassed, say so. Hang up the phone if the collection agent persists, and contact the company directly.

Report that the collection agency the company uses has been abusive or has used upsetting language, and ask to resolve the issue with someone at the company directly. Get the name of the collection agency and report them, including the agent you spoke with, to the Better Business Bureau. Refuse further calls from the collection agency and continue your communication with the creditor directly, noting each time the collection company contacts you with harassing or abusive calls.

Unfortunately, some collection agencies feel intimidation yields the best results. Furthermore, since most collection agencies work through telephoning, they feel they can say whatever they like (including making personal and false accusations) to try to recoup money for their clients. There is no paper trail and few people harassed by the agencies take these companies to court.

Some debtors feel so ashamed they almost feel they deserve the abuse. Both views are completely wrong. A bad credit rating does not make you deserving of abuse. Report collection agencies that harass you. Also make it clear to lenders that you will not work with a company that uses abuse as a technique of recouping money.

Some collection agencies will try to use your credit score against you, telling you they can ruin your credit score at a glance or file a claim on your credit score. They can't. Your credit score is instantly affected when you fail to make a payment or are reported to a collection agency, but there is nothing the collection agency employee can do to make your credit score worse beyond those two things.

You will still be eligible for credit in many cases. Do not let false claims about your credit score intimidate you into accepting the abuse of a collection agency.

Tip #101: Stick to it.

Credit repair is not something you simply do once in a while when your credit rating slips below 620. Credit repair and credit check-ups need to be part of your overall long-term financial plan. Follow a regular maintenance schedule of checking your credit reports regularly (you can get one free credit report from each of the major credit bureaus every four months, which lets you check your credit for free three times a year).

Regular check-ups will ensure you have not been the victim of identity theft and will help you make sure your credit hasn't slipped. Catching errors and problems early is an effective long-term way to ensure you never need intensive credit repair again.

Your credit should be part of your financial goals because your credit can help you meet your goals. Good credit can help make loans affordable, and can help make education, homes, and cars possible.

Your credit score will not stay steady. It may drop due to oversight or if you suddenly open some new loan accounts. However, overall you should continue to follow the strategies in this book to develop good habits that will keep your financial life stable and will help keep your credit score overall in good repair.

Conclusion

Follow all - or even some - of these tips, you'll be able to boost your credit score with time. Keep showing lenders you are a good credit risk, and keep your credit report safe from identity thieves and hackers. If you already suffer from bad credit, developing your own method of credit repair using the tips in this book will help you reestablish your credit score.

Follow at least these four steps to better credit scores:

1) Check your credit report and credit scores. Correct errors on your report by writing to the credit bureaus and to the creditors involved. Immediately report any charges you don't recognize, which may indicate an error or may signal you have been the victim of fraud or identity theft.

2) Pay down your debts and pay your bills on time. Close down the shorter-term loans if you need to.

3) Do all you can to make good financial habits automatic to keep your credit rating strong.

4) Address particular issues - such as too much debt or a student lifestyle - you think may be contributing to your low credit rating.

Developing your own plan for credit repair is the most cost-effective and often the most effective way of dealing with bad credit. It also gives you the tools, knowledge, and self-confidence to take control of your finances and ensure your credit score is as strong as possible.

Be persistent and follow the tips in this book, and you **can** turn your credit situation around. With a great credit rating, your financial life will be much easier.

You now have all the tools and resources to start repairing your credit immediately. Use the tools presented here to follow your financial dreams and achieve the success you deserve.