

TRACEY BECKER

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Experian has since created their own credit score to compete with Fico. It is called a "Vantage" score. The scoring systems are difficult to understand, and this has just added to the confusion.

If you go to a website to purchase your score, be aware of which one you are purchasing. For mortgage purposes, be sure you get the Fico score. When you apply for a mortgage, the lender usually goes by the middle of the 3 scores. The reason that the scores differ is because creditors who put information on a credit report pay to do so. You will see information on one that will not be on the others because they do not want to pay to put it on each of the reports.

Ms. Becker also stressed the importance of looking at your reports at least once a year. Judgements, tax liens, credit cards, loans, mortgages, child support, car leases and loans and student loans are all examples of things that can be found on a credit report.

Years ago, if you were applying for a loan or mortgage and had numerous credit cards, it weighed against you because lenders viewed the collective limits on all the cards as a subtraction from your ability to pay back a loan.

Now they look at what the balances are and credit scoring companies actually want to see that you have many kinds of credit and are responsible about payments.

Revolving credit (like credit cards) is a type of credit where one has the ability to charge a maximum and pay a minimum. This is the kind of credit most widely used, but if you have high balances, it will affect your credit score dramatically in a negative way. Installment loans where one has to pay a set amount each month are not viewed as critically as revolving credit because you are not perceived by the scoring company as managing your credit because it is a set amount.

A great tip from Ms. Becker was to pay your credit card bill on the day that it arrives rather than wait for the due date. Also, do not pay it in full. Leave a tiny balance. This will add 50 points to your credit score in 6 months.

It is good for your credit score to have 4 or 5 credit cards. The older your credit card, the better for your score, but make sure you use each card at least once a year to keep the accounts active. Whatever you do, do not close old credit cards. Opening and closing credit card account both affect your credit negatively, so be aware of that when timing loan applications.

If you are late with a credit card payment it can affect your score negatively by 70 points.

Inquiries are when a 3rd party pulls your credit report to see your score. Soft inquiries are promotional pulls like when a credit card company that is looking to sign you up pulls your report. These do not affect the score. Once you apply, a hard inquiry is done so that they can look at your credit more closely. These do affect your score negatively by 2-4 points.

Two last admonitions from Ms. Becker: do not co-sign and do not have joint credit accounts unless absolutely necessary.

The realm of credit reports and scores is vast and convoluted and we sincerely thank Ms. Tracey Becker for trying to clarify a part of it for us.

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