

## Top 5 Myths about Credit Repair

**1. Myth: To get an inaccurate item corrected, you have to personally dispute it with the credit bureaus and allow them 30 days to verify the accuracy of the information before they will correct or remove the item.**

While this is certainly the least expensive method (it's free if you do it online), it is also the most frustrating and time intensive. If you are looking to make a major purchase of a home or a car, or refinance them, there is a better way. Mortgage lenders and car dealerships have direct access to the credit bureaus through their credit report provider. Credit reports can be updated in as little as two hours utilizing a little known vehicle called a "Rapid Re-Score". This service costs \$25 per trade line per credit bureau. So, if an item is reporting incorrectly on all three bureaus, it will cost \$75 to correct that account. All that is required is documentation from the lender with a contact name and number indicating the correct information. Upon submission, the information is verified, the credit report is updated and a new credit score is generated. Standard turn times run 48-96 hours but as previously indicated, it can happen in as little as two hours.

**2. Myth: If I pay my credit cards off every month my credit report will show the cards with a zero balance and my credit score will be as high as it can be.**

If you utilize credit cards every month and pay them off on your due date, your credit report will NEVER show a zero balance on these cards and your score will be negatively affected due to the ratio of utilization versus credit limit.

Why is this? Because the credit card companies report balances owed on the date they generate your monthly statement. So, to "beat the system" you have to change the date you make your monthly payment to precede the statement date. In other words, if your statement is generated on the 15th of the month and your due date is the 25th of the month, every month you will need to go online around the 12th, get your balance and pay it to allow for time to process and register with the credit card company's internal accounting system. Then, on the 15th when your statement is generated, your statement will show that you owe nothing and the credit card company will report your account with a zero balance owed.

### **3. Myth: You cannot get legitimate derogatory items removed.**

There are a variety of ways to get legitimate derogatory items removed ranging from negotiating with the lender to simply disputing the item every month until they get tired of wasting the time and resources to verify it and remove it.

### **4. Myth: If you have bad credit a bank won't give you a loan.**

To rebuild credit, you can go to a bank and buy a Certificate of Deposit (CD). The bank will then allow you to borrow against the CD and make monthly payments. For example, you buy a \$2500 CD. You then simultaneously get a loan from the bank with the CD as collateral for \$2500. Your out of pocket is zero, but now you have a legitimate bank loan that will report to the credit bureaus. The obvious negative here is that you will pay interest on the loan that is higher than the return on the CD, but when your credit is in need of restoration and rebuilding, you have to "buy" it back.

### **5. Myth: Closing credit card accounts will help my credit score.**

The credit bureaus actually run a ratio of utilization to maximum limit of revolving accounts (credit cards) and this percentage is utilized as a component of your credit score. Always leave credit card accounts open even if you don't use them. Closing them lowers your available credit and negatively impacts your credit score.