7 Steps to a 720 Credit Score

“I Bet You Didn’t Know This About Credit”

38 Important Facts You Should Know About Credit

By Philip X. Tirone
Edited by Jocelyn Baker

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Testimonials

Here are a few things people have said about 7 Steps to a 720 Credit Score™

“I took the 7 Steps seminar and read Philip Tirone’s book, 7 Steps to 720 on a hunch it would help my credit. I crossed my fingers and did everything he said. Less than two months later, my score jumped from a 0 to a 718! Almost overnight, I’ve gone from not qualifying for a secured credit card to being less than a year away from a home loan!”
-- Tim Michaels, Santa Monica, CA

“7 Steps to 720 did more than raise my credit score: it changed my lifestyle. As a result of the 160-point jump in my credit score, I can strengthen my personal financial portfolio and provide my family with more stability. In fact, I’m flying to Atlanta next week to purchase my first rental property, and with my 735 credit score, I can negotiate the lowest interest rates and secure the best terms available!”
-- Vance Yetts, Inglewood, CA

“I thought I knew a lot about credit and credit repair, but when I went to the 7 Steps seminar and read Philip Tirone's book, I realized there was a lot I didn't know. I learned how to keep my credit card balances at the ideal level. I learned how to remove delinquent notices from my credit report. Most of all, I learned how to increase my credit score from 671 to 758 in just four months. I'm in the market for a new home, and it’s because of the 7 Steps credit improvement program, that I can afford a lot more house!”
-- Andre Jones, North Hills, CA

“Managing your credit is one of the core secrets of success, which makes 7 Steps the perfect resource for people who have great credit, bad credit, or no credit at all. Tirone’s book teaches you everything you ever need to know about credit.”
-- Jennifer Kushell, Author of the NY Times Bestseller, Secrets of the Young & Successful

“7 Steps to 720 is a remarkable educational experience but more importantly it’s a clear and powerful process for reinventing ones self financially and provides motivation for any person that is trying to take control of their financial future. I would like to see all real estate agents read this book both for themselves and their clients.”
-- Floyd Wickman, CSP, CPAE, Speakers Hall of Fame

“Tirone's book is a good overview regarding protecting and correcting your own credit. Good credit should be guarded by all, especially entrepreneurs. Become and remain bankable!”
-- W. Crookston, Ph.D., Professor of Entrepreneurship University of Southern California

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38 Important Credit Facts

Important Credit Fact #1
You probably already know that people with bad credit likely have high interest rates on their credit cards, mortgages, and car loans. But you probably didn’t know that bad credit means that your auto insurance premiums may be higher, yet another reason those three little numbers can have a six-digit impact on your life!

Important Credit Fact #2
Of all the credit myths, perhaps the most damaging is the following: “I have to keep a balance on my credit card to keep a good credit score.” This mistaken belief causes some consumers to make unnecessary interest payments. The truth of the matter is that credit bureaus have no way of knowing whether you pay your balance in full or make monthly payments. If you have the financial resources to do so, pay off your balance each month. It can’t hurt your credit score; in fact, it might help your score by lowering your utilization rate (the debt you carry in proportion to your limit).

Important Credit Fact #3
You might be surprised to hear that I’m in favor of adding your high school and college-aged children to your credit card accounts. Before you start thinking I’m crazy, let me explain:

If you have good credit and you add your children as authorized users to your credit card account, you will help them build their credit scores so that they enter adulthood with strong credit. Of course, this could backfire. If your child is irresponsible with the account, your score will suffer. To guard against this, refrain from giving your child the credit card. Instead, simply add his or her name to your account.

Important Credit Fact #4
According to a U.S. Public Interest Research Group survey, almost 80 percent of people have errors on their credit reports, 25 percent of which are serious enough to cause a person to be turned down for a job or loan.

Important Credit Fact #5
You probably didn’t know that increasing your credit score might make you more employable. Some companies consider your credit score to be more than your financial reputation. In fact, employers consider it to be a sign of your character. Some companies (especially those hiring employees responsible for money) won’t hire a person with poor credit.

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Important Credit Fact #6
On a $300,000, 30-year fixed rate mortgage, a person with poor credit (below 620) would pay $589 more a month than a borrower with a 720 credit score. $589 a month! Imagine what you could do with an extra $589 a month. You could buy a new car, save for your child’s college tuition or, with wise investments, double, triple, or even quadruple the money!

Important Credit Fact #7
Perhaps the most common (and among the most damaging) error on a credit report is an active duplicate collection notice. If you notice more than one collection agency reporting your account to the credit bureaus as active, you should work quickly to have this removed. Accounts that have been turned over for collection are often sold by one collection company to another. As a result, your outstanding debt will be listed as active multiple times. A collection company should list the account as “transferred,” “sold,” or “closed” once it is no longer pursuing the debt.

Important Credit Fact #8
Collection accounts only minimally hurt your credit after two years, and after four years, the damage is all but erased. After seven years, a collection account is wiped from your report.

Important Credit Fact #9
If you have poor credit, you might not qualify for traditional credit card accounts. Instead, open a secured credit card. A secured credit card requires you to pay a deposit equal to or greater than the balance. Obviously secured credit cards do not come with the same privileges as regular credit cards, which allow you to buy now, pay later. With secured credit cards, you basically pay now, buy later, and then pay again. It might not sound like a great deal, but it will help you rebuild your credit so long as the credit card company reports to all three major credit bureaus—be sure to ask! After six to 12 months of timely payments, ask the company if it will refund your deposit and transform your secured credit card into a regular credit card.

Important Credit Fact #10
Did you know that you should always apply for credit using the same first, middle, and last name? For instance, if your name is Robert Michael Jones, Jr., you shouldn’t apply as Bob M. Jones, Jr., or any of the other variations of your name. Pick one name and stick with it, or risk having your credit information divided among the various names. Worse yet, it could be merged with another person’s information (for instance, if you are Robert Michael Jones, Jr., and your father is Robert Michael Jones, the credit bureaus might combine your files if you do not use “Jr.” when applying for credit).

That said, if you changed your last name upon marrying, start applying for credit under your new name. It might hurt your credit minimally, but the damage will be temporary; the new last name is forever.

Important Credit Fact #11
Many borrowers are surprised to learn about the Universal Default Clause, a small-print item you probably agreed to when applying for your most recent credit card. The Universal Default Clause allows credit card companies to charge you a 29.9 percent interest rate (or higher) if you ever make a late payment on any one credit card, even if
that card isn’t issued by that company. Credit card companies periodically pull your credit report and raise your interest rate based on the history of other accounts you maintain. Credit card companies say that they believe your behavior on one credit card might be the same on all credit cards.

**Important Credit Fact #12**
Do you think the following statement is true or false? “A person cannot qualify for a home loan or credit card if s/he has a bankruptcy, a foreclosure, a tax lien, or a bill turned over for collections.”

If you think this statement is false, you are right! While it is true that a person with a blemished credit history will likely pay higher interest rates, certain lenders market to people with problem credit. If you fall into this category, you can and should apply for a credit card immediately so that you can start rebuilding your history. However, be aware that the interest rates will be high, so you should use credit cards responsibly and pay the bills in full each month to avoid paying the interest.

**Important Credit Fact #13**
You probably didn’t know that if your credit score is high enough, some lenders won’t consider your salary before giving you the lowest available interest rate. Indeed, your credit score is perhaps the most important factor in determining whether lenders approve your credit card application, mortgage loan, or car loan. It matters more than your annual salary and much, much more than your net worth.

**Important Credit Fact #14**
You may think that a poor financial record is a sign of poor character. I bet you didn’t know that Walt Disney and Mark Twain both claimed bankruptcy! Bad credit happens to all types of people. The true test of character is how a person deals with bad credit. Do you ignore it, hope that it goes away, and bury your head in the sand? Or do you jump in, learn how to fix your mistakes, and move forward?

**Important Credit Fact #15**
Are you surprised to learn that you have several different credit scores? Before assigning one score, most lenders consider your scores from the three major credit bureaus (TransUnion, Equifax, and Experian). The lender will assign the middle score to you when determining your interest rate for any given loan or credit card. For instance, if Experian gives you a 721 credit rating, TransUnion gives you a 719, and Equifax a 601, lenders will consider 719 to be your credit score. Because of this, you should monitor your report from each of the three bureaus.

**Important Credit Fact #16**
Though your payment history accounts for about 35 percent of your credit score, late payments within six months have the greatest impact on your score while late payments more than 24 months old have little impact on your score. The credit scoring models assume that your current behavior is a far more important indicator of your creditworthiness than your past behavior. Your current behavior, after all, can better forecast whether you are experiencing a downward financial turn. For this reason, if you have one late payment on an otherwise spotless credit report, you will likely see a sharp decrease. This is because a negative change in otherwise positive behavior is considered a warning sign of a shift in your financial situation.
Important Credit Fact #17
Some savvy consumers think they will save money by transferring their credit card debt to the card with the lowest interest rate. You are probably surprised to hear that transferring balances might cost you more money than you save.

How?

If you transfer all your debt to the one credit card with the lowest interest rate, you are increasing your utilization rate (the debt you carry in proportion to the limit) on that card, which will cause your credit score to drop. A lower score translates into a higher interest rate on future loans or credit scores.

Important Credit Fact #18
Did you know that statistics show you will likely be a victim of identity theft at least once in the next 10 years? On average, victims spend 60 hours resolving the problems caused by identity theft, one of which is a damaged credit score.

To protect yourself and your credit score from identity theft, consider the following:

- Never respond to emails that ask you to verify account or credit card numbers. Simply push delete, even if the e-mail address of the sender looks genuine. Legitimate businesses know to never send sensitive information through e-mail.
- Don’t make online purchases unless the site is secured. If you are unsure, call the business and make a purchase over the phone.
- Speaking of phones, never give out account numbers or Social Security numbers over the phone unless you initiated the call.
- Review your bank and credit card statement each month, and check your credit report quarterly. If you have good financial records, you will recognize signs of identity fraud more quickly on your credit card statement or credit report.

Important Credit Fact #19
You might be surprised to learn that some credit card companies send unsolicited credit card offers to college students with little or no credit history, no income, and who lack the financial knowledge to handle credit cards responsibly. Why? One can only speculate, but I suspect it’s because they know two things about college students: 1) they will make rash purchases, incur debt, rack up huge finance charges; and 2) they will turn to their parents to bail them out. In short, credit card companies solicit those who might not have experience paying a single bill, much less managing credit responsibly.

Important Credit Fact #20
When you co-sign on an account, credit bureaus consider you equally responsible for the loan as the actual borrower. For this reason, I caution against being a co-signer unless you are willing to assume financial responsibility for the debt. If you do co-sign on a loan, take the following precautions:
• Insist that bills be sent to your address, or track the account online to make sure the borrower is paying on time. If not, you will need to make the payments on the borrower’s behalf to protect your credit.

• More effectively, decide to pay the bill directly from the get-go, and ask the borrower to reimburse you. This way, you will always be in control of the payment, and of your credit score.

• Contact the creditor and see if the loan can be refinanced in the borrower’s name after a year of timely payments.

Important Credit Fact #21
Did you know that some credit card companies refuse to report your proper credit card limits? Indeed, credit card companies often either fail to report the limit, or they report a lower limit than you have. This causes your utilization rate to be reported as higher than it is, which hurts your credit score.

Why do credit card companies do this?
They don’t want to lose their client base. If other credit card companies see that you have a high balance and a strong credit score, they might solicit your business. By failing to report the correct credit limit, credit card companies keep your name off mailing lists targeted to consumers with specific credit limits. This helps ensure that your credit card company doesn’t lose your business to a competitor offering better terms.

Important Credit Fact #22
Tucking your credit cards away in your underwear drawer and refusing to use them is silly. If your cards become inactive, your credit will suffer, so make sure you use your credit cards at least once a month. If you dislike having debt, consider paying a regular bill (e.g., cable) using your credit card. Then pay it off in full each month. This will preserve your credit and allow you to live without debt (and without paying interest).

Important Credit Fact #23
You probably didn’t know that closing your credit cards could hurt your score, and it will never help your score. Because the length of time you have had credit affects about 15 percent of your credit score, closing a credit account will lower the average age of your accounts. Allowing a credit card to become inactive also hurts your score. Use credit cards at least once a month, and keep them open!

Important Credit Fact #24
Did you know that consumer credit counseling will not directly hurt your credit score? Though credit scoring models no longer consider this a factor when assigning a credit rating, your credit score might be indirectly harmed by hiring a consumer credit counseling company. A consumer credit counseling company will handle all matters regarding your debt. This means that creditors will not call you when a bill is late, they will call the consumer credit counseling company. If the company fails to pay your bill on time, you will not know because the creditor has stopped communicating with you. And if a consumer credit counseling company fails to pay your bills on time, guess what? Your credit score suffers.
Important Credit Fact #25
You might be surprised to hear that your score will not be harmed by inquiries into your own credit report. If you request your own credit score, the inquiry will show up on your credit report as a “soft” inquiry. Unlike “hard” inquiries (those pulled by potential lenders as a way of determining whether they want to approve a loan or credit application), soft inquiries do not affect your credit score.

Important Credit Fact #26
If you have been denied credit, did you know you can receive a free copy of your credit report from all three bureaus? However, you will have to buy your credit score for a minimal fee—about $45 for copies of all three reports, including scores. To request free copies of your credit report, call Equifax (800-685-1111), Experian (888-397-3742), or TransUnion (800-888-4213).

Important Credit Fact #27
Did you know that your salary does not affect your credit score? You could have an income that falls below the federal poverty level and still have spotless credit. Or, you could be a millionaire with awful credit. Your credit score is a reflection of how responsible you are with your money, not how much money you have.

Important Credit Fact #28
Are you surprised to hear that “late” payments that occur less than 30 days past the due date do not hurt your credit score? It’s true that paying a bill late is perhaps the most common way to damage your credit score. What you may not know is that the bureaus do not consider a payment late until it is 30 days or more past the due date. (Note that the credit card companies will still charge you a hefty late payment fee if you pay your bill even one day past the due date.)

Important Credit Fact #29
If you rent a home, you might be surprised to learn that your credit score most likely does not consider your rent payment history, unless you are evicted. However, you would be wise to pay your rent on time every month regardless. Some lenders might consider your rent payment history in addition to your credit when determining whether they want to approve your loan or credit application. As well, a new credit scoring system, the FICO Expansion System, will consider your rent payment history. This system is relatively new and unused, so don’t count on timely rent payments to boost your credit score.

Important Credit Fact #30
One of my clients was relieved to learn that her credit report did not list the late notices she regularly received from Blockbuster® for failing to pay the fines when she returned her videos rental a week too late. You might also be surprised to learn that FICO, the standard credit scoring system, does not consider your payment history on utility bills (such as gas, electric, phone, cable, or cell phone bills). However, if you fail to pay these bills and they are turned over for collection, your credit will be damaged.
Important Credit Fact #31
Some banks will insist you pay your accounts in collection before giving you a home loan. If this is the case, try negotiating for a letter of deletion. However, negotiating for a letter of deletion often takes time you don’t have. In this case, pay the collection item and be done with it.

Remember that paying your collection will damage your credit, the last thing you want to do before making a large purchase. What if the lender pulls your credit report again and sees that your credit score has dropped? To avoid this, pay your collection at the close of escrow. This way, you will preserve your credit score until the last possible minute, and you will satisfy the bank’s request.

Important Credit Fact #32
If you buy your credit report, you might be surprised to learn that your credit score isn’t always included. Your credit report lists the details of all your credit accounts for the last seven years. Your credit score is the three-digit number that indicates your creditworthiness, as determined by the items on your credit report. When purchasing a credit report, you might also have to pay an additional fee to view your credit score.

Important Credit Fact #33
Do you know what lenders consider when deciding whether to approve your home loan? While your credit score is the single most important factor, it is not the only factor. Lenders determine your credit worthiness by looking at your credit, your income, your savings (both before and after closing a loan), and your down payment.

If your credit score is at least a 720, some lenders might not look at your income or savings at all. They’ll just want to see a sizeable down payment.

Still others will ask your landlord to provide “verification of rent,” detailing the date of your rent checks. If you have multiple late rent payments, the lender will consider you a high-risk borrower. (For this reason, always write your rent checks no later than the due date of your rent, even if you do not plan on delivering the check for a few days).

Important Credit Fact #34
You might be surprised to learn that the following statement is a myth: “The less credit I have, the better my score will be.” This simply isn’t true, regardless of what your grandfather says. Credit bureaus want to see that you can handle credit responsibly. Consumers who declare bankruptcy often wipe their hands clean of debt, saying they never want another credit card again. But what they may not realize is that no credit is just as bad as poor credit. The best way to have a solid credit score is to have a healthy mix of credit and a solid payment history. You have to prove to the bureaus that you have the discipline to handle credit responsibly, and the only way to do this is to have a proven track record.

Important Credit Fact #35
Though approximately 80 percent of people have errors on their credit reports, errors older than two years are not likely hurting your credit score that much. As well, many errors are low priority errors that are not worth correcting.
Important Credit Fact #36
You might be surprised to learn that your credit score will drop if you qualify for a new home or auto loan. If you have a new home or auto loan, credit bureaus see you as more of a risk that someone with an older loan, which presumably has more equity.

But don’t worry! After a month or two of on-time payments, your credit score will start to climb again.

Important Credit Fact #37
Did you know that you can use technology to help raise your credit score? If you struggle to pay your bills on time because you are too busy, or because you do not manage your money well, try this:

Sit down with a calendar and a copy of all your regular bills. Then create automatic payments on all your credit cards, mortgages, installment loans, and finance accounts. If you are a compulsive spender, this might help curb unnecessary expenditures by forcing you to pay the required bills each month.

Important Credit Fact #38
Did you know that you can boost your credit score and lower your personal debt if you establish separate credit from your spouse? Entrepreneurs in particular can benefit from this tip, which allows you to use your spouse’s credit when applying for a loan or line of credit. It works like this: when applying for credit, transfer high credit card balances to your spouse’s credit cards. As your outstanding debt is lowered, your credit score will increase, which makes you look like a more favorable candidate for a loan. Of course, you will have to return the favor if your spouse ever needs a quick credit score increase!
About The Author

Philip X. Tirone

An expert in residential home financing, Philip X. Tirone is a mortgage broker whose production continues to be a major powerhouse in United Pacific Mortgage’s billions of dollars in loan sales. Philip has a unique background in difficult-to-obtain loans, having spent many years working with borrowers with sub prime credit scores. Philip has demonstrated authority in finding loans for borrowers with bad credit, no credit, bankruptcy, and no stated income. He has analyzed thousands of credit reports and works with his clients to maximize their credit scores to minimize their interest payments. He has authored a book, *7 Steps To a 720 Credit Score™*, and teaches a seminar of the same name, which educates borrowers how to prepare for a loan by improving their credit scores.


Philip created the *Complete Financial Navigator™*, a tool to analyze his borrowers’ needs and financial picture, thereby helping borrowers overcome barriers to achieving their real estate goals.

As a frequent guest lecturer at the University of California Los Angeles, Philip has authored and delivered numerous speeches regarding the “Mortgage Lifestyle Dilemma,” a phrase he coined to describe an emotional buying decision that results in overextension and a life that revolves around high mortgage payments. By analyzing industry-specific buying trends, he has devised a series of questions to help borrowers avoid this dilemma.

Philip was named Arizona State University’s Man of the Year upon graduating with a real estate degree in 1994. Since then, he has continued to receive acclaim, most recently in the *New York Times* best-seller, *Secrets of the Young & Successful*.

He resides in Los Angeles, California with his wife Lily and daughter Ava and works as a mortgage broker for United Pacific Mortgage.

UPM, an independent full-service mortgage banker/broker, is a privately owned company licensed by the California Department of Real Estate. UPM is an innovative and progressive industry leader in the field of mortgage banking. UPM offers a wide variety of mortgage loan products, including purchase, refinance, cash-out refinance, owner and non-owner occupied loans, construction and land loans, and commercial and industrial loans. UPM is able to process, underwrite and fund the loan “in house.” Therefore, they are able to provide their clients with the lowest rate and closing costs and they are able to choose from over 100 lending sources. UPM has earned a reputation as a mortgage firm with the ability to grant special exceptions on underwriting and pricing guidelines that fall outside of traditional mortgage loan-underwriting guidelines.

For more information visit [www.7stepsto720.com](http://www.7stepsto720.com)