Get a Fast Fifteen Points on Your Credit Report

In reality, your credit score is a “risk” evaluation of your financial profile. It is a predictive number that tells a lender how likely you are to pay back their investment in you. The algorithm used to determine your credit score is incredibly complex and no one other than the credit bureaus really knows the exact calculations that create the equation.

To better understand how credit bureaus evaluate your “risk” factor, you must first understand the types of trade-line accounts they review – installment accounts and revolving accounts.

An installment account is an account with a consistent monthly payment. It is a specific dollar amount divided by the timeframe associated with the loan (ex: mortgage, car or educational loan). An installment account does not have many variables – the payment is the same every month. This type of account will always help a consumer’s credit score, but cannot truly affect the score by paying down the debt.

A revolving account (ex: credit card) is a trade-line with many variables that can dramatically alter a credit score for a variety of reasons. The balance of a revolving account can change at any time. As the balance changes, the limit ratios change and influence the minimum payments.

The limit ratio, also called the credit-to-debt ratio, is obtained by dividing your credit limit by the balance currently showing on your credit report. This ratio can be skewed if the information on your credit report is not up to date.

One of the biggest misconceptions about your credit score is its accuracy. The majority of the time, your credit score is not a “real-time” reflection of your true credit activity.

Each creditor or collection company has a specific timeframe with which they report your payment history to the credit bureaus.

Many times, a consumer will pay down a debt only a few days prior to making a large purchase such as a car or television. When they go through the financing steps, they often end up being charged a higher interest rate by the lender based on what appears to be a current and accurate credit score. The decrease in debt was not calculated into the interest determination since it had not been reported in "real time." When a consumer pays off a debt, the lender does not automatically inform the credit bureaus that the debt has been paid off or decreased.

Typically, creditors report on a monthly basis, sending the credit bureau your account balance at the date of your last payment. Public records such as child support and judgments generally report on a quarterly basis. Several collection companies and smaller lenders may only report every other month due to the size of the company and the number of items they have reporting.

It is important to your credit score to time your purchases or investments during a time when your report may be most accurate. Contact your lenders and credit card companies to find out their reporting schedule to the credit bureaus.

By knowing when your trade-lines report, especially your revolving accounts, you can better manage your credit file and maximize the time of your purchases to your advantage.

The general rule of thumb is to keep your credit card ratios at the 30 to 35 percent. While this is excellent general advice, you should seek assistance that is specific to your situation and financial history.

After reviewing more than 11,000 credit files, credit expert Wayne Sanford recommends taking an even more drastic approach by keeping those rations around or under 20 percent. While that might be unrealistic for many consumers, simply attempting to achieve that ratio will only better their credit profile.

By trying to achieve this 20 percent ratio, many consumers have seen an increase in credit score of 15 to 45 points. Additionally, the history of the account along with the history of the card's usage can also affect this change.

To start moving towards this score increase, the first step you should take is to determine your credit-to-debt ratio. Record the credit limits on all of your credit cards and divide your balances to calculate a percentage.

It does not matter if you have a credit card with a limit of $100 and a balance of $90 or if the credit limit is $1,000 and you owe $900. The ratio for both is 90 percent.

Lenders will view consumers with high credit-to-debt ratios as a higher "risk." By keeping your revolving credit card ratios at a lower percentage you can often save yourself several percentage points which can add up to big bucks over time.

Pay Down the Debt and Update FAST!

Mortgage companies and banking institutions have access to a product called a rapid re-score. It is a rapid or quick re-scoring of your credit report. The average cost per credit bureau, per trade-line is $25 to $30. If you had an account reporting on your credit to all three credit bureaus, the total cost for rescoring your credit report would be $75 to $90 for one single account.

The advantage of a rapid re-score is that your credit report will update quickly. By increasing your credit score, you will be appear to be a better financial "risk" to lenders and can take advantage of lower interest rates.

To obtain a rapid re-score, you will need to pay down or pay off one of your accounts. Twenty-four hours later, print the online balance statement from the account and give it to your loan officer.

With a little paperwork from your loan officer and a couple of phone calls from your mortgage company to verify that the new balance statement you've provided is valid, the credit bureaus will make an adjustment to your report.

Once updated, the loan officer will re-pull your credit report. A rapid re-score is virtually the only way for lenders to evaluate your "real time" credit score.

The entire process of rapid re-score typically takes two to five days. Had you waited for the accounts to report on their regular schedule, you could have waited more than a month for the change to appear.

Most consumers attempt a rapid re-score at the end of the month as they try to qualify for a mortgage or seek a lower interest rate point. Due to this, most rapid re-scores will take a full five business days when requested towards the end of the month.

Knowledge is power. By understanding how the credit system works, you can better leverage your credit report and maximize your credit score to your advantage as a consumer.

The Real World of Credit

In Wayne Sanford's book, *The Real World of Credit*, the author discusses how the credit system functions in both the "real" and "perfect" worlds. Today's consumer must live in a world filled with real information and convenient mistakes.

The Real World of Credit explains in detail how consumers become victims of the game credit plays with their lives and offers advice on how consumers can play the credit game to their advantage. The full-color publication is laid out in an easily read format with diagrams, charts and pictures to help consumers grasp and retain the concepts described.

Like many financial systems in America today, the credit industry is broken. By becoming knowledgeable of how the system works – where the flaws are located – you can play the credit game and win by decreasing your "risk" to lenders and bettering the financial future for you and your family.

NOTE: Purchase "The Real World of Credit" and get the books first special supplement entitles **"Investors & Their Credit"**

Staying on top of the credit score mountain

For FREE!

The Real World of Credit