



Credit Information – Truths Vs Myths

Credit Information – it's one of the major search phrases typed into Google and Yahoo every day. Do you know your credit score facts? Or do you think you know them? We hear the words credit and credit report used every day and most people would tell you that they understand how credit works (they don't). Truthfully about all they know is that if they flash a credit card at the store, sign a piece of paper and walk out with the merchandise. That's what this article is about – Credit information on how credit works. Here are the most common facts and myths about credit:

Credit Information Fact (or Myth?): Negative items (even if they are wrong) will be on my credit report for seven years.

False. Nothing in the credit reporting law says an item has to remain on your report. It does say that the item(s) must be accurate and true.

Credit Information Fact (or Myth?): Rich people all have great credit.

Answer: also False. Having a lot of money doesn't make you responsible with credit. Many people with money are consistently late with payments. Your credit history consists of a lot of things including your types of credit and payment history plus several other things.

Credit Information Fact (or Myth?): If I use a Consumer Credit Counseling service it will improve my credit score.

Answer: False. When you enroll in a credit counseling plan a statement is placed on your credit report for each item included in the plan. This may initially cost you some credit points (not a lot), and certainly not as many as you are losing by making late payments and having high credit card balances. However, your credit score will continue to improve over time as you make your payments and pay down the outstanding balances.

Credit Information Fact (or Myth?): I've never been late on a payment so I have great credit.

Answer: Truth AND Myth. Let me explain. Your payment history (whether you are on time or late) makes up only 35% of score. The other 65% are made up of several other factors. We have an excellent article on our site "How Credit Works."

Credit Information Fact (or Myth?): I'm getting married so my wife (husband) and I will share the same credit.

Answer: False. HOW ARE YOU DOING WITH YOUR ANSWERS SO FAR? A lot of people believe this is true but it is not. Your credit report is based on credit that you've applied for with your own social security number. So while it is possible that you may share some credit items with your spouse if they are joint accounts (meaning you applied for the credit together, like for furniture or a car loan), each of you has a separate credit report and scores. So if your husband/wife is not as responsible as you then make sure not to combine your credit with theirs – and if you do make sure all the bills are paid on time to keep your credit score up and help to repair theirs.

Credit Information Fact (or Myth?): Once I have paid off old collection accounts, late payments, judgments, or anything else negative they are removed from my credit report.

Answer: False. I wish it were true but it isn't. However as you build current credit these will be pushed further down and most creditors will look at the current history closer than an old debt.

Credit Information Fact (or Myth?): Credit repair is illegal.

Answer: False. It is very legal for you or anyone you choose to hire to challenge anything that is inaccurate, misleading, or unverifiable on your credit report. Once you write the letter challenging the item(s) the other party has 30 days to respond which means this can be a slow process. If you decide to do this yourself be prepared to wait and possibly be declined for removal. Many people have found that it pays to bring in a credit attorney for this. It is inexpensive, you pay a monthly fee and cancel when you want to, and you will get guaranteed results. Or visit our website under credit repair website. You'll be surprised at how easy and affordable it is.

Credit Information Fact (or Myth?): I don't believe in credit so I pay the entire balance each month. This should raise my credit score, right?

Answer: False. Part of your credit score is calculated by how promptly you pay your credit card. This was designed by the creditors to determine who paid on time. By paying the entire amount you are circumventing part of this process. If you want to show responsibility leave a small balance running (emphasis SMALL) and pay more than the minimum balance. Eventually pay the entire amount then start over again. This will positively affect your score more than paying the entire amount each month.

Credit Information Fact (or Myth?): Eliminating the number of credit cards I hold will increase my FICO score.

Answer: Variable - This may surprise you. If you have a lot of cards (over 5) and decide to eliminate some, get rid of the newer cards. DO NOT – I repeat – do not eliminate credit cards that you have held a long time. There are several reasons why. Firstly, these probably have the largest credit limit and secondly, also the longest track record of payments. The track record of payments is one of the major things that affect your credit score. Get rid of the newer cards. Getting rid of the older cards can negatively affect your FICO score, sometimes by as much as 100 points because it eliminated a big portion of the “history report” piece of your credit.

That being said, it’s wise to keep only 2 to 3 credit cards. Too many open balances will also negatively impact your credit as “available balances” send up a red flag to potential lenders. If you’ve got cards totaling \$50,000 in available credit, although unused, it is something you could certainly go out and run up tomorrow, which makes car and home lenders a little wary about loaning you money.

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**About the author:**

Dewey Kearney -<http://www.1-800BadCredit.com> provides up-to-date information for people with bad credit. Providing auto loans, mortgages and refinance options, credit cards, credit counseling, personal loans, identity theft protection and advice & tips on saving, budgeting and getting out of debt. Founded by Dewey & Leslie Kearney who understand bad credit because they've been there too! [Site dedicated to helping you find credit solutions](#)

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