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CREDIT REPORTS

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“This article addresses how to obtain your credit reports and improve your credit score.”

McCarthy Asset Management, Inc. is an independent, fee-only investment advisory firm that has been helping people invest wisely for over fifteen years. Our mission is to help you better understand and improve your financial situation. We specialize in Retirement Planning, Portfolio Management and Tax Planning.



Monitoring your credit reports

Your credit report is a critical piece of financial information. It is used by banks when applying for any type of credit, including credit cards, auto loans, mortgages, and lines of credit. Additionally, landlords, insurance companies, utilities, and cell phone companies also use your credit report.



Your credit scores

Credit scores are calculated using data contained in your credit report. Credit scores range from 300-850. The two major credit scores are the FICO score and the Vantage score. A good score for FICO is 670 and above, with a score above 739 being very good or excellent. Vantage scores are considered good when they are 700 and above, while scores above 749 are considered excellent. Such a score will qualify you for the best interest rates and lower auto and homeowner's insurance premiums.

If your credit score is lower than you expect, check your credit report for late payments, or accounts in collections. These will drag down the score. Adverse accounts with problems are usually listed first. Credit card utilization also factors into your credit score. Credit card utilization is the outstanding balance due compared to your credit limit. The lower your utilization, the better your score. Keeping your credit card outstanding balances at 20% of your limit will improve your score. Other factors affecting your credit score include the length of your credit history, the mix of credit types you have, and how many credit inquiries you have from potential lenders.

Obtaining your credit reports

It's essential to monitor your credit report periodically for mistakes or fraudulent accounts opened in your name. Ordinarily, you can get a free report from all three credit reporting agencies once a year at annualcreditreport.com. However, in response to the coronavirus emergency, the credit reporting agencies are allowing a free credit report once a week until April 2021. The three credit reporting agencies are TransUnion, Experian, and Equifax. Equifax and Experian also will give you a free credit score if you sign up for a free account.

I suggest downloading each report so you can review them. Recently, I downloaded my 3 credit reports and 2 free scores. It took about 30 minutes. You have to download them separately, which means going back to the annualcreditreport.com website three times. If you request a credit score, you will need to provide a cell phone number where an authentication code will be sent. Each report looks a little different. For instance, Experian will show different versions of the names being used on your accounts. My report had 6 versions of my name. Some using my middle initial, some including my maiden name, and one misspelled version.

What to look for when reviewing your credit report

- Accounts or lenders that you do not recognize.
- Although there may be legitimate variations of your name, make sure that you don't have an account listed that belongs to someone else who has a similar name.
- Check your Social Security number, previous addresses, date of birth, and other info listed within the report.

Disputing a credit report error

If you see anything that looks wrong, first you should try to get it fixed at the source by contacting the lender. Also, report the error to each credit bureau which has the erroneous account listed. Your credit report has a "dispute it" button right on the credit report website.

The consumer financial protection bureau has sample letters to use for disputing errors, as well as a list of what kind of information you should provide in your dispute.

There are credit repair companies, but many of these have poor reputations and overcharge for their services. You can read an article about how to tell the good from the bad credit repair companies at <https://www.lexingtonlaw.com/credit-repair/legitimate>.

How to establish credit if you have no credit record

Often, banks will give college students with accounts at the bank a student credit card with a small line of credit of \$500 or so. If they use the credit wisely, the bank will gradually increase the credit line.

Another option is to get a secured credit card. If you have no credit history, this is a good starting point. You essentially give the bank money, which they keep as collateral. Then they let you borrow it back. You can't borrow above the amount you have secured. After about 6 months, if you pay your bill promptly and show you can manage your money responsibly, the bank will return your secured amount and will likely increase your credit limit. Look for a credit card with no annual fee.

Our Services

Investment Management Services:

- MAM creates and manages customized investment portfolios based on each client's investment objectives, timeframe and risk tolerance.

Financial Planning Services:

- The Net Worth Analysis (NWA) tracks the accumulation of Invested Assets for pre-retirees and the retention of Invested Assets for retirees. Updated annually.
- "Retirement Analysis" a comprehensive analysis of your retirement goals, which produces easy-to-read, interactive working plan, stored in the cloud. Updated as needed for life events.

Tax Services:

- Clients have the option of utilizing the income tax services provided through the firm Stephen P. McCarthy, CPA. These services are offered at an hourly rate and may include:
 - Tax Return Preparation
 - Income Tax Projections
 - Tax Minimization Ideas
 - Tax Authority Representation

Other Services:

- MAM has retained several outside experts, whose services are available at no cost to our clients:
 - Medicare Planning— Eileen Hamm of Superior LTC Planning Services, Inc.
 - Long Term Care Planning— Allen Hamm of Superior LTC Planning Services, Inc.

CARES Act

The CARES Act has provisions for homeowners with federally backed mortgages (Fannie Mae or Freddie Mac mortgages) who have a hardship related to coronavirus. Homeowners can request that their mortgage be suspended or reduced for up to 1 year. If you are current on your payments before starting an accommodation under this program, your credit report will not be harmed.

Other Resources:

To request free credit reports: <https://www.annualcreditreport.com/requestReport/landingPage.action>

Gerri Detweiler is an expert on debt. Her website has a wealth of knowledge, including a free book about debt collection laws: <https://www.gerridetweiler.com/>

To learn more about the details of your credit report:

<https://www.consumerfinance.gov/consumer-tools/credit-reports-and-scores/>

For help for homeowners impacted by COVID-19: <https://myhome.freddie.mac.com/getting-help/relief-for-homeowners.html>