Credit Repair MAGIC

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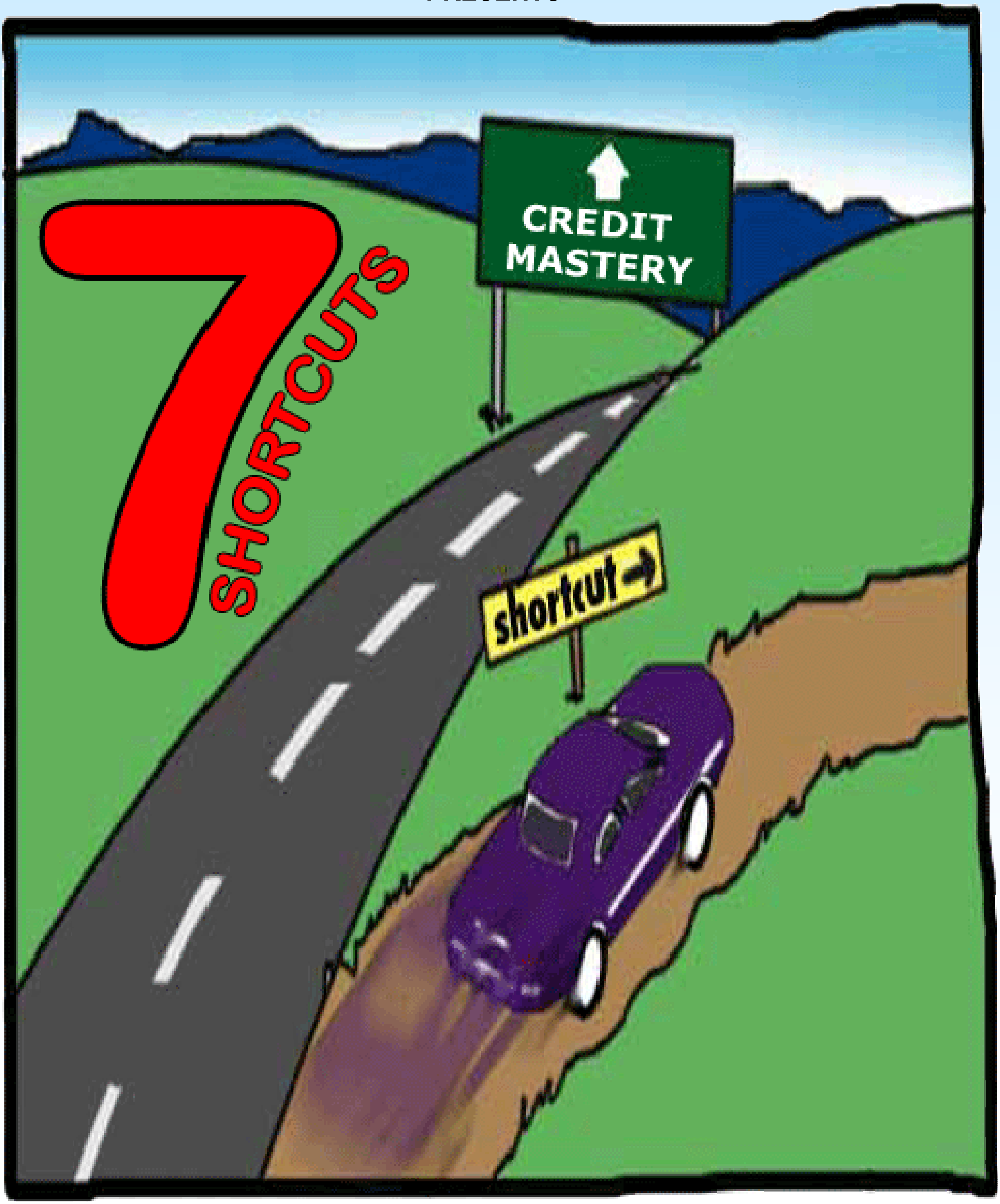

7 Shortcuts to Credit Mastery

Let's face it. . . you didn't get into your credit problems overnight and you're probably not going to solve them overnight. But if you have a pressing credit situation that needs to be resolved quickly and if you have the time and the energy to commit to some advanced strategies, it is possible to improve your credit in a very short period of time.

These seven shortcut strategies are not for everyone. But if you need to qualify for a mortgage, or get a car loan, or apply for a job that requires you to have good credit or a better debt-to-income ratio, and if you don't have the luxury of waiting, then applying one or more of these strategies might be just the ticket.

Shortcut Strategy #1
Raise Your Credit Score For a Mortgage by Using "Rapid Rescoring"

Who Should Use Rapid Rescoring?
Those with FICO credit scores below 680 should check in to rapid rescoring if planning to apply for a mortgage loan in the next month.

Introduction to Rapid Rescoring
Rapid rescoring services are a legitimate and growing part of the credit industry. Usually offered by independent credit reporting agencies, these services are used by mortgage lenders or brokers who are trying to get better loan terms for their borrowers. Removing errors can help boost a borrower's credit score in the midst of the lending process and get them a loan, or a better rate, than might have been possible otherwise.

You can get your credit score recalculated in a few days by any one of the 200 companies who specialize in rapid credit rescoring and who have special relationships with the three major credit reporting agencies -- Equifax, Experian and TransUnion.

In addition, these rapid rescoring companies can only be accessed by mortgage lenders and brokers and not by the general public. This means that if you want to have your credit report rapidly rescored, you must ask your mortgage lender to do it for you. The cost is modest, around $35 to $100 for each item they fix, and is certainly worth paying ,since an improved credit score can result in reducing your monthly mortgage payment significantly.

How Rapid Rescoring Works

The rescorers -- credit reporting agencies that act as middlemen between lenders and credit bureaus -- have established relationships with the bureaus to speed through corrections.

The loan officer or broker typically collects proof of the error from the borrower and passes it along to the rescorer. In some cases, the rescorer may contact a creditor directly to get a letter acknowledging the mistake.

The rescorers transmit the proof to the credit bureaus, which have created special departments to collect the information and verify it with the creditors. If the credit bureaus agree an error was made, they update the borrower’s credit report to reflect the change, allowing for a new credit score to be calculated.

How Rapid Rescoring Can Make a Difference

Suppose you have been a victim of identity theft and there is a credit card account you didn't open appearing on your credit report showing a 30-day late payment. Normally, it would take at least a month (but more realistically, two or three months or longer) to clear this matter up and get the item removed from your credit report.

However, in the meantime, this negative item on your credit report has lowered your credit score to 620, which means you will be approved for a mortgage loan, but at an interest rate of 7 % instead of the 5.7% rate being offered to those with credit scores above 720. As a result, your monthly mortgage payment is going to be about $130 higher than it would be if that negative item wasn't on your credit reports.

You ask your mortgage lender to contact a rapid rescoring company and have the credit card account removed from your credit report and your credit score recalculated. Three days later, your credit score is now above 700 and you qualify for a mortgage loan at 5.5%, saving you from paying $46,800 in additional interest over the next 30 years.

In places where housing prices are through the roof, such as California, an interest rate even one percent lower will significantly reduce your monthly payment, for example, by as much as $1,000 on a very high priced house!

Limitations of Rapid Rescoring

Rapid rescoring is effective, but it would be much better to try to fix the problems yourself a good six months before you even apply for a mortgage loan. This is because a rapid rescore can't get negative items, such as late payment notations, or items that are in dispute removed. A rapid rescore also cannot improve your credit score if your problem is too much debt that you can't pay off today.

A rapid rescore can only improve your credit score if the creditor admits to a mistake or agrees to remove specific information. For example, you might owe a big balance on a credit card that is negatively affecting your ability to get a lower mortgage interest rate. You can pay off the credit card electronically today and use a rapid rescore to get your credit score recalculated within 72 hours rather than waiting for your payment to show up on your credit report a month later.

Note that a rapid rescore requires you to submit evidence to complete the rescoring process. For example, a creditor might have sent you with a letter admitting that an account being reported as yours really isn't yours and they intend to remove it from your credit history. Or, a creditor might admit that an account was fraudulently opened in your name by a thief and has agreed to remove it from your credit report.

Although a rapid rescoring company usually requires that you provide proof, some might contact the creditor directly and obtain the proof for you.

It is also important to note that a rapid rescore can't fix all problems within 72 hours as they often claim in their advertising. Sometimes it might take them a week or two, but in any event, it is always more rapid than fixing credit report errors the traditional way -- by mail, waiting a month or two for changes to occur in one's credit report before a new, improved credit score can be calculated.

Again, it is better to improve your credit score at least six months before you apply for a mortgage loan. To get the process started, order your credit reports and start working on correcting errors and paying off debt before you even apply for a mortgage loan.

Remember, you can't use these services directly. Companies that offer rapid rescoring work with mortgage lenders and brokers, not with consumers. If you're being offered instant credit repair directly, be wary.

Rapid rescores generally can't remove accurate negative entries or items that are in dispute. Rapid rescoring can't help you erase the past or win your case if you're fighting with a creditor. You will usually need proof that an error was made. Typically, this comes in the form of a letter from the creditor admitting the error -- something along the lines of:

> We acknowledge that the account we reported as 30 days past due was not in fact delinquent.

It's best if you, as a consumer, already have such a letter in hand, although some rescoring services will contact the creditors for you and arrange to get proof. This delays the process, however.

Results aren't guaranteed. Removing the error may help your credit score, or it may not. There's still too much that's unknown about how credit scoring works to predict with certainty how your score will react to the change. Still, brokers who use the services say they typically get good results.

History or Rapid Rescoring

In the past, human beings made most lending decisions, which some say led to discrimination. But it also allowed loan officers to plead their borrowers' cases, especially if there were special circumstances. Errors in a credit report -- accounts that weren't the borrowers, payments reported as late that were actually on time -- might not sink a deal if the borrower had a sympathetic loan officer or underwriter.

In the days prior to the proliferation of credit scores, a good loan officer or a diligent underwriter oftentimes saved deals which might have been denied based on erroneous information. Now most lending decisions are automated, using computers and credit scores--three-digit numbers used to judge your creditworthiness. The opportunities to get special treatment have declined dramatically and errors are a more serious problem.

Conclusion

If someone else's bankruptcy is reported in your credit file, for instance, you can lose hundreds of points off your credit score -- and your mortgage application likely would be rejected. Even minor errors can knock enough points off your score for the lender to turn you down or charge a higher interest rate.

Waiting for a mistake to be corrected through normal channels -- by writing the credit bureau and waiting up to 30 days for an investigation -- simply takes too long, brokers said. Home sales and refinancings can fall through in the time it takes to fix problems, and the crunch has gotten worse as interest rates have dropped and loan volumes spiked.

Sometimes problems in a credit report aren't noticed until days -- or even hours -- before a loan is scheduled to close. That's somewhat understandable, given the volumes of mortgage lending we're seeing right now.

Action Steps

1. Ask your mortgage lender to help you with a rapid rescore.
2. Ask them how much each item will cost.
3. Send your mortgage lender to the websites below, or have them call the toll-free number. This is a service that makes it easy for mortgage providers to calculate the benefits of rescoring and speed up the results.
   www.rapidrescore.org
   www.fundingsuite.com
   800-848-3162
4. If your mortgage lender is unfamiliar with rapid rescoring, tell them to contact the people who provide their credit reports.

Shortcut Strategy #2
Pay Down Your Credit Card Balances

Who Should Pay Down Their Credit Card Balances?

Those with FICO credit scores below 680 and a balance on any credit card that exceeds 30% of the available limit.

Also, you must have some cash available to pay down a balance. Even if you have to borrow money to do it, you can use this strategy to increase your score in order to qualify for the best rates possible on a loan. Then, after you have obtained the credit you desire, the worst-case scenario is that you get a cash advance on the same credit card to pay back the loan.

If you use your credit regularly and occasionally rack up high balances, it may be a good idea to keep your balances low in order to keep you from approaching your credit limits. One you approach or exceed your available credit, your scores will drop dramatically.

If you seldom use your available credit, then there is no need to pay down the balances, but if you don't use your available credit at all, it will also be considered derogatory. The reason for this is because the bureaus score you based partly on your pay history. If you have no payments to make, and no activity on your accounts, they will have nothing to score you by.

Why Pay Down Your Credit Card Balances?

A significant portion of your credit score relates to how much of your available balance you are utilizing. If you are using a high percentage of your available limit, then that shows that you are too reliant on credit. The bureaus consider you a risk for default.

If, on the other hand, you have a low balance-to-limit ratio (preferably under 30%), then they consider you a good credit risk. Credit bureaus will consider your overall ratio and the ratio of each individual credit card.

Credit bureaus use a debt to available credit ratio to assist in scoring. If you have $30,000 in available credit and have used only $10,000 of that (using 33% of your availble credit), your score will be higher than someone who has used all $30,000 (100%).

Looking at it another way, your score will be higher if you have available credit of $50,000 with a $30,000 balance than available credit of $35,000 with a $30,000 balance.

How Do I Pay Down My Credit Card Balances?

Step One

Using the information from your credit report, locate all credit cards that have a balance higher than 30% of the available limit. Your first priority are cards that exceed 50% of the limit. To find this number, simply divide the balance by your credit limit. For instance, a $4,400 balance on a card with a $7,000 limit would be calculated as: 4,400 / 7000 = .63 = 63%.

Step Two

Depending on your budget, pay down as many cards as you can to get them below 50%. If you have none over 50%, then your next target goal is 30%. Call your credit card company to see if they can take a check over the phone to pay down the balance as quickly as possible. Otherwise, you can overnight a check or money order, depending on how much of a hurry you're in.

Keep in mind that the main goal is to reduce your OVERALL balance-to-limit ratio, so be sure to add up all your balances and all your limits to figure out the overall ratio. If you can get this below 30%, you will see the most improvement, but at least get it below 50% if possible.

Step Three

Once you have your balance paid off, it may take some time for the new balance to show up, perhaps as long as 20 to 30 days, depending on the time in your account cycle when you make the payment.

To speed up the process, use the rapid rescore method from Strategy #1. You'll need to get validation from the credit bureau that the balance was paid down. Ask for this proof to be faxed to you if possible, or overnight mailed. Then give it to your mortgage lender.

Step Four

Keep the balances low until you have closed on the loan or obtained the credit you are seeking. This is important. Lenders often do another credit check the day before closing and if your score has dropped, they can stop the entire process.

Shortcut Strategy #3

Put Your Vehicle in Somebody Else's Name

Who Should Put Their Vehicle in Somebody Else's Name?

Those who have an automobile financed in their name, who have a high debt-to-income ratio that is keeping them from qualifying for a loan (usually a mortgage), and who has someone they can trust to "sell" their car to.

Why Should I Put My Vehicle in Somebody Else's Name?

If your total-debt-to-gross-income ratio is too high (over 36%) and you have car payments, it's likely that these payments are a big part of your monthly debt.

How Do I Put My Car in Somebody Else's Name?

Step One

Since the car is financed, first check to see if the bank that has the loan is wiling to transfer the loan to another party. You might have to do a little schmoozing and speak to a manager or a supervisor. Usually, they will have no problem adding someone to an account, but they don't like removing someone form the account.

Step Two

If the lender won't transfer the loan to the new party (who must have good credit, of course), then they are usually a good source to refinance the vehicle with a new loan in the new party's name. Often, they will waive fees and give a low rate in order to keep the loan with the bank.

Step Three

If your existing bank won't bite, then you will have to "sell" the car to someone else and they will have to get a brand new loan. Selling the car can be expensive because of sales tax. Seven percent tax on a $25,000 car is $1,750. Some people fudge on the sales price shown to the State in order to avoid some of this cost, but the State of course frowns on this practice. Also, the loan amount is usually disclosed on the title and it is going to be difficult to convince them that you sold a car with a $15,000 loan on it for $5,000.

Once you sell the vehicle, it's important that you check to ensure that the account does not still appear on your credit reports. Again, if time is a factor, it's important to use the Rapid Rescore process in Strategy #1 to speed up the process.

Step Four

Of course, even though you've "sold" the car, you'll probably still make the payments, but the person who's name is now on the car will be technically responsible for them. Ditto for insurance.

If you plan to keep driving the vehicle after selling it, make sure that the insurance will cover you. Typically, you will be fully covered on someone else's insurance as long as you don't live with that person. You may not have to be listed as a driver at all. That way, the insurance rates may actually go down, especially if the new owner has a clean driving record and can qualify for a multi-vehicle discount. Check with your insurance agent.

Shortcut Strategy #4
Increase Your Credit Limit on Your Credit Cards

Who Should Increase the Credit Limit on Their Credit Cards?

Everyone who carries a credit card balance. By increasing your limit, you decrease your balance-to-debt ratios and increase your credit scores.

How Do I Increase the Credit Limit on My Credit Cards?

Step One

Call the credit card company and tell them that you want to increase the limit on your credit card. This will only work if you have been making your payments on time, of course.

The person on the phone will ask you how much you want and here is where it pays to know a little secret. They have a maximum amount they can give you. This amount is calculated automatically for them by computer. If you ask for less, they will give you're the amount you ask. But if you ask for more, they will tell you the highest they can go. So be sure to ask for a ridiculously high amount. Don't worry, they won't be offended. They are just answering the phones. Ask for at least twice your current limit. If your limit is under $10,000, you can ask for three or even four times the limit.

Step Two

Once your limit is increased, you could see a jump in your score immediately. As before, if time is an issue, you can use the Rapid Rescore method in Strategy #1 to make sure the new higher limits show up quickly.

Shortcut Strategy #5
Get a Cosigner for a Loan or Credit Card

Who Should Get a Cosigner for a Loan?

Those who don't have enough credit lines (usually three) to qualify for a home loan, those who don't have enough positive items on their credit reports, and those whose credit score is below 680 and can't qualify for a loan on their own.

Why Should I Get a Cosigner for a Loan?

Without at least three credit lines, you will have a hard time qualifying for a home loan. Also, by getting a cosigner for a loan, you will obtain a new, positive entry on your credit report, which will immediately increase your score.

How Do I Get a Cosigner for a Loan?

Step One

First of all, you must determine what kind of a loan you want. Certainly, if it's a home or automobile loan, then getting help from a family member is common and appropriate. If you don't need or want a car or a new home (which will take a long time anyway), you can get a credit card with the help of a cosigner as well. You can even borrow cash right from the bank or get a new equity line of credit on someone else's home with you as the co-borrower.

Step Two

Choose and approach your potential cosigner carefully. This is a big favor you are asking of them, so it's better to start with senior family members and work your way down from there.

Start with the most powerful four words in the English language: "I need your help." Human beings have a strong nurturing instinct and even the most cynical people have an innate need to help others. By putting your pride aside and humbly asking for help, you lower their defenses and stimulate their nurturing instinct.

Tell them that you are building your credit and you need their help to get to the next level. Explain about the three credit lines required to buy a home or that you simply need a new, positive item on your credit report to boost your score.

If you decide to get a credit card, line of credit, or other bank loan, ensure them that this is not just a ploy to get money. In fact, to settle their mind, you can offer to let them keep the credit card or the money you get from the loan. What you want is the credit boost, not the cash or the credit itself.

Step Three

If you're getting an equity line of credit on a home or a credit card, it's important to use it right away, at least for a small purchase. That starts the credit bureau clock ticking. Always keep a small balance on this card or credit line to maintain the positive credit reference.

Step Four

Do your homework before asking you cosigner for help. When you approach your potential cosigner, you will show your responsibility by letting them know that you have chosen the best rate and terms.

Stay involved in the process until the end and make everything as simple as possible for your cosigner. For instance, you can make out five or six envelopes and put stamps on them, so they don't have to bother when the time comes. If you have the ability, write them several monthly payment checks in advance, or just give them the cash if they would rather make the payments. ASK THEM HOW THEY WANT TO DO IT AND ACCOMMODATE ANY REQUEST THEY HAVE.

Remember that nobody, not even your parents, has the obligation to cosign a loan for you. They are taking a big risk.

Shortcut Strategy #6
Obtain One or More Secured Credit Cards

What is a Secured Credit Card?
A card that is backed by a deposit in a bank account. You deposit, say, $500 in an account, then the bank gives you a credit card with a $500 credit limit. They use your bank deposit as security.

This is NOT the same as a debit card, even if it has a Visa logo on it. Debit cards are not reported to the credit bureaus, but secured cards are (at least most of them are—you should make sure that yours is).

Who Should Obtain a Secured Credit Card?
Those who can't obtain a regular, unsecured credit card and need to boost their credit score or add a credit line to their report in order to qualify for a home loan.

Why Should I Obtain a Secured Credit Card?
Credit cards are the single best item to have on your credit report. If you can't qualify for an unsecured card, then secured cards are a simple solution for you. They are relatively inexpensive and can even become unsecured after a number of months of regular payments.

How Do I Obtain a Secured Credit Card?

Step One
Go to the website below. You will find a listing of all the best secured credit cards. Pick the one that's best for you.

www.MyBestCreditCardSite.com

Step Two

Make sure that your secured card reports to all three credit bureaus. Most only report to one or two.

Step Three

Apply for the card online or over the phone. Usually, they will have to get cleared funds before the card is made available to you. If you're in a hurry, call them and ask if you overnight a money order and pay for the return overnight shipping, how quickly can you get your card?

Step Four

As before, if time is an issue (if you need to qualify for a home loan, for example), you can use the Rapid Rescore method in Strategy #1 to make sure the new higher limits show up quickly.

Shortcut Strategy #7

Reduce Your Credit Card Balances With a Home Equity Loan

What is a Home Equity Loan?

A loan that is backed by equity in your home. This is usually a second mortgage, meaning that it has a secondary position next to your first mortgage. For the purposes of this strategy, you can also refinance your first mortgage, as long as you pull out enough cash to pay off your credit cards.

Who Should Obtain a Home Equity Loan?

Homeowners with equity in their home, who have high credit card balances and need to boost their credit score.

Why Should I Obtain a Home Equity Loan?

By obtaining a home loan, you can get cash at a low, tax deductible interest rate and pay off your higher interest rate, non-deductible credit cards. This lowers your overall payments and increases your credit score.

How Do I Obtain a Home Equity Loan?

Step One

Shop around. Go to mortgage brokers as well as online sources. Home loans are very complex, so make sure you understand all aspects of the transaction. You should know what the closing fees are, how many "points" you are being charged, what the Annual Percentage Rate is, whether the loan is fixed (and for how long it's fixed) or variable (and what the terms of the variable rate are).

Step Two

When you get your home loan, use only as much as you need to pay down your credit card balances. Keep a small balance ($100 is fine) on each card to continue the positive reporting. Pay the minimum payment every month. DO NOT PAY OFF YOUR CREDIT CARDS AND CLOSE THE ACCOUNTS! You will need these cards as credit lines.

Step Three

Don't use any more of your loan than you need to pay down your credit card balances. Resist temptation and leave your remaining equity untouched. If you got a lump sum of cash, invest the difference in a mutual fund or other stable investment. You might find that you can earn more on your money than it's costing you in interest.

Shortcut Strategy #7½ (Bonus Strategy)

Borrow Money to Reduce Your Credit Card Balances

Who Should Borrow Money to Reduce Their Credit Card Balances?

People who don't own a home, have high credit card balances and need to boost their credit score.

Why Should I Borrow Money to Reduce My Credit Card Balances?

By borrowing money, you can pay down your credit card balances with a loan that won't show up on your credit report. This lowers your overall payments and increases your credit score.

How Do I Borrow Money to Reduce My Credit Card Balances?

Step One

You can borrow money against your car or other asset, of course, but we will focus on borrowing from a friend or family member.

As with some of the other strategies, you need to be very prepared and very humble when approaching your angel (that's what you should call them instead of "lender.") Start with "I need your help," explain your objective, and show them your plan of action, including a reasonable payment period. Most people will be happy if they are repaid within a couple of years, but everybody is different. Just don't promise anything that you won't be able to do.

Step Two

As before, you should take as much risk away from them as possible. It will help if you give them dated checks to deposit as repayment. You should also give them a promissory note, which you can find on Google or at the local office supply store. Make sure that the note doesn't indicate anything beyond the statutory interest rate (usually 18% per year, but varies from state to state—contact your local attorney general's office.

You can also give them collateral for their loan, including a car title or anything else of value. Ensure them that if you don't pay on time that you fully expect them to sell your collateral and that they shouldn't fell guilty for doing so. In fact, it is YOU who should feel guilty for putting them in that situation.

Step Three

Borrow only as much as you need to pay down your credit card balances. Make all your monthly payments to them not just on time, but EARLY. This will impress them tremendously and they will be happy to help you in the future. If you have to go without food, then go without. But don't miss a payment to an angel—it's bad business, bad ethics, and bad karma.