

New Tricks in Credit

As the credit industry freezes up, how is someone new to credit going to get started? How does the self-employed battle the insanity of the situation? How can those who don't use credit battle the abusive point scoring system?

Every day we talk to average citizens about these very issues. Businesses are confused, consumers are confused and the bank's seem to have lost their ever loving minds. So what can one do to help themselves?

Dealing with the Banks:

You would think that after the mortgage meltdown they would realize "POINT SCORES DON'T WORK," but they haven't. (Please do ACCESS a favor and remind your favorite banker of that issue.)

So until they become enlightened, here are some new points we recently learned; and some old reminders

CD's - (Certificate of Deposit) If you have one, you can use it as collateral for a loan. Yes, the banks still view CD's as an asset - amazing. Where ever you hold the CD at, ask the bank what they would charge you to loan you back your own money. Now, on the surface this might sound crazy, but stick with me here.

What we've been told by several banks is that they will loan back to you at 2 point above the CD rate. For most CD's that would mean you can borrow your own money for around 3%. Ask the banker - "Do you report your trades to a credit bureau?, Which one?, and What are the loan origination fees? These are important to know, because the purpose here is to build up credit. And subsequently build up your point score.

We would suggest doing this same thing with several banks in your area. Primarily to find which of the big three (Experian, Equifax, TransUnion) is most frequently used. You will want to go to the bank that supports the one most frequently used in your area. Why? Because most bankers and creditors usually draw only one credit report and that is the one you will want to beef up.

Fees - While we can certainly empathize with the bankers and their costs, as far as we are concerned they brought these problems on themselves. So, with that we say fight over every charge they want to assess on your account. It seems like they want to give checking accounts away as "free" and then nickle and dime you to death over additional fees. The reason why they get away with this abuse is that consumers and businesses are not fighting over them. Every

dime you pay in bank fees is one less dime you can use in building equity and assets. Become a penny pincher.

As a business we're sure that you have seen an escalation of stupidity when it comes to fees. They want to charge you for each check deposited and each check written, don't let them. Their costs have been in place for decades. Prior to banks losing their minds (and yes, we now consider credit unions as foolish as their cousins), banks wanted deposits and they wanted business accounts because of their high balances. Will businesses, you have to pay attention to what they are doing and use the weight of your deposits to negotiate better terms. We are shocked to hear that some banks are actually charging businesses for dishonored checks that they deposited. Most banks will waive that charge if you merely fuss over it.

Self-employed - It seems that to banks this has become a dirty word. As a result, those words on a credit application are the kiss of death. Give yourself a title, CEO, President, chose any of the many hats that you wear as a self-employed individual. Do not let your "risk taking" become even more riskier.

Gas Cards - Shell, BP and many others want your business. They will even give you additional credit, usually in gas gift cards, but it is something that you can use. These are usually lower balanced accounts. We suggest this maybe a great way for young adults to establish credit. We must warn you that these "private cards" have been farmed out to large banks, like Citi or Chase. And their goal is to get you using it as your primary VISA or Mastercard. One warning "DON'T." The purpose of getting a gas card is for buying gas. Use it like a charge card and pay it off each month.

Bank Cards - If you need a credit card, then obtain one from a local bank - preferably the one that has your checking account. Ignore all the "junk offers" you get in your mail. Why? Because they are truly "junk."

Most states still have on their books a law regarding "usury." This law limits the maximum amount that a creditor can charge for open accounts. It is imperative that you become a wise consumer. If you unfortunately live in a state that removed "usury" laws - then pick your poison because the sky is the limit on what you will be charged for interest. Thankfully, most of us don't live in those states. By getting your credit card from a local bank, they are limited by state statutes. Learn your state "usury" laws.

Remember, never close an account - cut up the credit card, stop charging on it, but never call and say "close my account." It will reek havoc on your point score.

The Insanity of This -

As you noticed, none of this talks about the wise use of credit. Word like "don't borrow more than you can pay back" or "don't commit more than 30% of your monthly net income to a mortgage payment." Nope. No conventional words on proper money management - except pay your credit cards off monthly.

This is all about that elusive fake credit score. So please, as you visit with your area bankers, reminded them that point scores don't work - the recent mortgage meltdown proves that. Then maybe we can get back to how to better manage your money and the wise use of credit.

For Your Consideration -

We are firm believers in opting out of as much things as you can. First it saves a lot of trees and second it saves you a lot of time, especially at the trash can. All of these last for about five years.

Opt-out of "Pre-Approved" credit offers - Call 1-888-567-8688.

Opt-out of Junk Mailings - Visit www.dmachoice.org - Regretfully, requires an email address.

Register on Do Not Call List - Visit www.donotcall.gov - Regretfully, requires an email address.

Get Your Annual Credit Report - Call 1-877-322-8228

Now, if only we had a place to opt-out of all junk e-mails. Maybe next year.