

Office for Financial Success – Financial Tip of the Week

A service of the Personal Financial Planning Department
College of Human Environmental Sciences
University of Missouri-Columbia

CREDIT “MYTHS” ...

Myth [mith] – noun – an unproved or false collective belief that is used to justify something; any invented story, idea, or concept. In the world of credit, innumerable myths abound. Let’s explore a few ...

MYTH. When delinquent accounts, judgments, missed payments and other “negatives” are paid, they will be removed from my report. TRUTH – the information will remain. Your credit file is a credit HISTORY, it will simply reflect that it has been paid [which is obviously better than unpaid].

MYTH. Credit reporting agencies make credit decisions. TRUTH – credit reporting agencies provide information [nothing more] to lenders who make the decisions.

MYTH. Personally viewing my credit report will lower my credit score. HUGE MYTH. TRUTH – viewing my credit report will have no negative bearing on my credit score.

MYTH. In the case of divorce, the divorce decree will always carry more weight than the credit obligations. TRUTH – the credit obligation will override a divorce decree.

MYTH. I need to keep a balance on my credit cards and other debts to build a credit history. TRUTH – credit use and on-time payment are what build a credit history. I can do this and still pay the balance in full each month.

MYTH. Shopping for the best rate for an auto loan or home mortgage is not a good idea because the multiple inquiries will be a negative. TRUTH – while many inquiries can hurt one’s credit, inquiries for auto loans and mortgages will be lumped and treated as one inquiry. Shop for the best deals!

MYTH. While poor credit has obvious financial consequences, it doesn’t really affect anything beyond that. TRUTH – an estimated 70% of employers will review your report prior to a hire. Money problems have been linked to less productivity at work, more missed work days, problems at home, and other “baggage” many employers don’t want.

MYTH. I must give permission for a company to see my credit report. TRUTH – with the exception of an employer, permission is not needed. Just look at the inquiry section of your report and you’ll see a lot of people that “pre-approved” you for a credit offer that you never gave consent to.

MYTH. If I’m responsible with credit, I have no need to review my reports. TRUTH – depending on which study you read, it is estimated that as much as 80% of consumer reports contain errors; about 1/3 of those errors are big enough to result in the denial of credit! Ensuring the information in your report is accurate is ultimately YOUR responsibility.

MYTH. Credit reports are the same from company to company. TRUTH – although most companies will report to all three bureaus (Experian, Equifax, and TransUnion), this was not always the case. Also, the speed at which they update information is not the same. I've never seen a scenario where the reports were identical with all three ...

MYTH. Credit repair companies can fix my credit problems. TRUTH – most are scams. Most are attempting to either (1) work illegally; or (2) try to fix errors that I can fix myself for no cost. Be careful.

MYTH. Credit is too difficult to understand. TRUTH – everyone can AND SHOULD understand their credit. Schedule an appointment if you need help.

HELPFUL CREDIT RESOURCES:

- Ordering your free credit reports (<https://www.annualcreditreport.com/cra/index>)
- Credit Scoring – MYFICO
(<http://www.myfico.com/CreditEducation/WhatsInYourScore.aspx>)
- Improving credit, disputing errors – OFS
(<http://financialsuccess.missouri.edu/creditissueshome.htm>)