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HOMEFRONT NEWS



A Common Credit Reporting Misconception

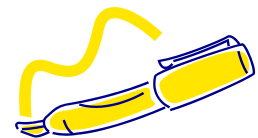
One of the more common misconceptions in the world of credit reporting is that once an item is closed or paid in full, it is removed from your credit files. This is, of course, incorrect. Paying off an installment loan, selling a car or home, closing a credit card, paying off a collection, and satisfying a judgment or a tax lien are all ways to exhaust their balance and your obligation to the lender. And in every case above, your credit reports should reflect the fact that the obligation has been satisfied. But in most cases the reporting of the item will continue long after the balance has been satisfied.



This is actually good news in most cases. You don't want good account information to come off of your credit reports. Old car loans, old mortgages, old credit cards – these are the types of accounts you want on your credit reports. They serve several purposes. First, they help to show that you have a long history of properly managing several types of loan obligations. And second, they help to offset any negative impact “bad” items may be having on your credit reputation.

What Can You Do?

The next time you take a look at your credit reports, grab a highlighter. Strike through every single obligation that has been satisfied. What most of you will be left with is an empty highlighter and a very short and young credit history, and that's not a good thing. In fact, credit scoring systems reward you for having a lot of old and positive credit obligations. This is why you should never argue with the credit reporting agencies about removing old good accounts; that would be shooting yourself in the foot.



Of course, this cuts two ways. When you pay off collections or satisfy any of the other possible negative credit obligations, that doesn't mean they will be removed. Again, the credit reporting agencies are well within their rights to maintain that information as long as it's accurate and isn't older than its prescribed reporting statute of limitations, which in most cases is seven years, but there are exceptions. Bankruptcies, for example, can stay on longer than seven years.

So if you don't want something on your credit report, it's easier to simply avoid the obligations altogether rather than attempting to get it removed simply by paying it. This is applicable more so to things like collections and late payments. Those are easier to avoid than they are to remove once they're on your files. But please, stop trying to get those old car loans off of your credit reports. Once they're gone, they're gone permanently.

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