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## Credit-Score Urban Legends – Busted!



### [Photo](#)

When Jeannine Pesce, a 37-year-old mom from Manahawkin, New Jersey, decided to quit her job and go back to school to become a nurse, she was sure it was a smart move toward a more secure future. But she's planning to buy a home in 2010 and is worried her lack of income will drag down her credit score.

"This is a common myth I think a lot of folks assume is true," says Curtis Arnold, founder of CardRatings.com and co-author of *The Complete Idiot's Guide to Person-to-Person Lending*. "Income might affect your ability to get a loan (depending on the creditor), but it legally should never affect your credit score, either positively or negatively." When computing your credit score, credit bureaus only look at items such as your payment history and how much debt you owe; personal information like your gender, age, and location can't legally be considered. And while residing in a famous zip code like 90210 may be fun, says Arnold, it won't improve your credit.

These days, many of us are doing some serious head scratching when it comes to credit scores, partly because there is a lot of false information swirling around. How can you move forward with your financial life if you're muddled with misconceptions? Read on as seven more myths are debunked, leaving you with the "real deal"

credit information you need when purchasing a home or taking out an auto loan.

### **Myth 1: Checking your credit will lower your score.**

Checking your credit report will never affect your score, says Arnold. Thanks to the Fair Credit Reporting Act, you're entitled to one copy of your credit report a year from each of the three major credit bureaus. Arnold says you can order them as many times as you want (by paying for subsequent reports) and it still won't adversely affect your score. If you do apply for credit by filling out an application, though, your score might be slightly pinged.

### **Myth 2: Shopping around for a loan will hurt your credit score.**

Not anymore. In 1999, the scoring model was changed so that consumers wouldn't be penalized for comparing rates within a 30-day window, says Heather Wagenhals, author of the Unlock Your Wealth crisis management and financial wellness series. However, if you shop for a credit card one day, a boat loan the next, and a mortgage the day after that, the underwriter may wonder whether you were denied or if the loan hasn't hit your report yet.

### **Myth 3: If you don't use your credit card account, you'll lose your credit line.**

As a credit fraud measure, your lender may stop reporting your trade line for lack of activity, says Wagenhals. "Your scoring is based in part by open and active trade lines," she says. "Thirty percent of your score is based on timely payments. If there is no payment due, you may be missing out on a possible one-third of your credit score." According to Wagenhals, it's much better to charge your credit cards up to the amount you can comfortably pay off each month and rotate cards to keep them all open and active.

### **Myth 4: If you co-sign on a loan, your credit score is not affected.**

According to Patrick Ritchie, author of The Credit Road Map, when you co-sign on a loan, you are equally liable (along with the primary borrower) to repay it. This debt will appear on your credit report and will have the same ramifications as if it were your debt exclusively. "Consider the payment ramifications," says Ritchie. "If you have co-signed for someone and he or she is 30 days late on the payment, it will hurt both of your credit scores. In the case of co-signing on credit card, they may pay on time, but if the card is maxed out, the impact on both credit scores can be dramatic."

### **Myth 5: It's impossible (and takes forever) to dispute information on my credit file.**

By law, the credit bureaus have only 30 days to complete an investigation on your credit file – all you have to do is request it, says Gregory B. Meyer, community relations manager at Meriwest Credit Union in San Jose, California. "If they cannot determine the validity or accuracy of an item or if it was determined to be out-of-date/expired, it is supposed to be removed from your credit report," he says. When you mail your investigation request to the credit bureau, Meyer adds, you must mail copies of the request to the creditor as well.

### **Myth 6: After saying "I do," your credit scores are married, too.**

It's a common misconception that credit scores are united in marriage, says Ken Lin, CEO of Credit Karma, a

credit-score management service based in San Francisco. While you may share financial obligations in marriage, your credit scores will remain separate.

However, your spouse’s credit habits can affect your credit score, specifically activities like paying bills on time. “If your spouse has had credit problems in the past, make sure he or she is committed to a healthy credit future before you agree to co-signing or opening a joint credit account.”

### **Myth 7: Turning to a credit-counseling service will hurt your score.**

“Credit counseling by itself most definitely does not hurt your credit score,” says Ken Clark, certified financial planner and author of *The Complete Idiot’s Guide to Getting Out of Debt*. “There is no place to report such a thing on the actual credit report, which is the basis for your credit score.”

According to Clark, this myth surfaces because of people who end up working with for-profit debt settlement agencies that deceptively market themselves as “credit counseling.” When these organizations negotiate a repayment plan or debt settlement on your behalf, says Clark, this can cause a drop in your credit score, since it is a further demonstration that you were unable to handle your use of debt wisely.

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