

Tips & Tricks to Hack your FICO

How to boost your credit score for a mortgage loans.



Ray Jones (559) 346-7238

This information is NOT how to best use credit in everyday life, but simply how to BOOST your score to save money by getting better terms on a mortgage loan. I am neither an attorney nor a credit repair advisor. If professional help is desired, please consult an attorney. No legal advice is being offered or suggested. This is simply my opinion based on my observations over the last 27+ years.

GENERAL CREDIT HANDLING:

1. ALWAYS pay credit accounts within 30 days of the payment due date. They do not report you late until you are 30 days late. Please note, 30 days is NOT one month. It literally means 30 calendar days from the due date that was missed.
 - a. 29 days late is NOT late but the payment counts on the date your payment is posted to the account so don't push the limits.
 - b. ✖ **PRO TIP:** Have your income auto-deposited into your checking account and setup the credit account to autopay from your checking account to avoid missing any payments when you're on vacation or the kid down the street steals your mail.
 - c. ✖ **PRO TIP:** Sign up for text notifications to tell you when the payment is due, when it is paid, and when it gets close to the limit.
2. Maintain at least 3 to 8 revolving accounts in good standing. A minimum of three accounts are required for the max score. A good mix is 3 to 5 VISA / MasterCard / Amex / Discover cards, 1 or 2 store cards like Kohl's, Best Buy, Home Depot, and Macys and 1 gas company card.
 - a. NEVER open "finance company" types of credit accounts or loans. These "desperate" accounts can lower your score even when paid as agreed. If there are outrageous fees, charges and rates; run away!
3. Prepaid & Cash Cards are not CREDIT accounts and do not build credit. Don't bother with these accounts.
4. Installment accounts like a car loan or a mortgage are big score movers. Have at least one installment account for every 3 revolving accounts.
5. Use ALL accounts every month or carry a small balance so that you get the maximum points every month for each on-time payment.
 - a. ✖ **PRO TIP:** Pay at least 120% of the minimum payment each month and split that into two payments each month.
6. Consolidate Student loans. Student loans often report as if every semester was a new loan making it look like you have many, many outstanding installment debts.
 - a. You may get the benefit of a reduced overall interest rate.
 - b. You may qualify for an Income Driven Repayment Plan.

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- c. **✂ PRO TIP:** Watch out for yearly delinquencies during the deferment renewal period. Make a payment if you have to while waiting for the deferment to be granted. They WILL report the delinquency.
- 7. TIME is a big factor in credit scoring.
 - a. The older your accounts are, the higher your score will be if they are “paid as agreed” accounts.
 - b. The older a derogatory event is, the less it pulls down your score.
 - c. After 6 to 12 months, a positive payment history will reduce and eventually overtake the negative impact of derogatory events. The worse the derog, the longer it will take to recover.
- 8. Do not close accounts.
 - a. The older your accounts are, the higher your score is.
 - i. The maximum age benefit is received at 25 years.
 - b. Closing accounts takes away that credit limit from your total utilization calculation and lowers your score.
- 9. NEVER make a “payment” on a collection account.
 - a. When you make a payment, the Date of Last Activity (DLA) is updated to today’s date and the Fair Credit Reporting Act 7-year collection clock is RESTARTED. The creditor now has another 7 years to collect from you!
 - b. The Collection Agency may update their reporting to the Credit Bureaus turning and insignificant old derogatory account into a fresh new derogatory account.
- 10. NEVER pay ANYTHING on a Charge Off or P&L Write Off account. The creditor has written this debt off their tax and can no longer collect from you.
- 11. NEVER co-sign for anyone. If you already have:
 - a. Do NOT make the payment for them because we can ignore debts that are paid by others.
 - b. Have them setup autopay from their account so that you know it is always paid on time.
 - c. **✂ PRO TIP:** Setup text alerts on this account so that you can track and correct as needed.

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12. Watch your balances. High UTILIZATION will dramatically reduce your credit score. Individual account utilization percentage is the balance of a revolving account compared to the limit or high credit of the account. Total utilization is the total of all revolving balances compared to the total of all revolving credit limits.
- a. Both the individual and the total revolving account utilization factors affect your score.
 - b. **74/29 RULE:** Your credit score takes a big hit at around 74% and 29% utilization of your accounts. Many teach that there are credit score bumps at levels such as 90%, 50%, 10%, and others but I have found those targets are not as significant. (Schedule your free hour consultation to know your exact formula.)
 - i. ✂ **PRO TIP:** Pay down balances to BELOW the 74/29 target PLUS an extra monthly payment because it may go over this target when they add interest at the end of your next cycle.
 - c. ✂ **PRO TIP:** Low limit, authorized user, store accounts and fuel company cards are not as important as your actual bank charge accounts. (VISA – MASTER Card – Discover – Amex) Those should be paid down first.
 - d. ✂ **PRO TIP:** Often, just paying one or two high limit accounts down is all that's needed.
13. ✂ **PRO TIP:** Add utility, insurance, TV and other unreported monthly bills into your credit score. If you pay these bills consistently from your checking account. Experian can help add these automatically. Go to <https://www.experian.com/consumer-products/score-boost.html>
14. ✂ **PRO TIP:** Take advantage of “cash-back” offers. For example, pay your phone bill with a “3% cash-back” VISA card. Pay the VISA credit card off every month so you pay no interest. You earn cash-back, build credit, and don't pay high interest rates. Boom!
15. ✂ **PRO TIP:** Periodically ask your current credit card lenders if they have any offers like zero interest or no payments. Transfers balances to lower rate accounts but watch out for transfer fees and remember the 74/29 Rule.
16. ✂ **PRO TIP:** As your credit score improves, ask your creditors to CONVERT your current account to one with better benefits such as airline miles, cash-back, low rate, low fee, etc. Conversion of the account retains the opening date to maintain your length of credit history.

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ACTIONS EFFECTIVE WITHIN 30-90 DAYS: *(Existing Accounts)*

17. Do not apply for any NEW accounts. New accounts and multiple credit applications can reduce your score for 6 to 12 months.
 - a. ✂ **PRO TIP:** Multiple mortgage loan applications are only counted as a single inquiry if all occur within a 2 to 3 week period. Go ahead and shop around anywhere you are interested but be sure to get it done within a couple of weeks. (This works the same for auto loans as well.)
 - b. ✂ **PRO TIP:** Many secured credit accounts do not require a credit report to apply and therefore an inquiry is NOT posted. Open a couple secured accounts of this type and start using them right away to build credit without an inquiry.
18. Ensure Credit Bureau records contain 100% accurate information pursuant to the Fair Credit Reporting Act (FCRA) and the Fair Credit Billing Act (FCBA). Initiate investigations of inaccurate, incomplete and negative errors within the last 11 months with each bureau. Do NOT contact the creditors or collection companies. Messing with old or unimportant accounts can make them NEW again. Let sleeping dogs lie.
 - a. ✂ **PRO TIP:** When a creditor reports that your account is a "Charge Off" or "P&L Loss" this means that they have written the debt off their tax and will send you a 1099-C for the income you gained through their loss. This is GOOD. Send the 1099-C to the credit bureaus that report the debt because this means that the Creditor can no longer request payment from you and the balance must reflect "zero" plus it does NOT restart the 7-year clock.
19. Have friends and family members add you as an authorized user on 1-3 of their accounts that have a GOOD history, HIGH limit, and SMALL balance. The older the account the better. Use them and make sure they are paid on time.
20. Spread out (transfer) balances to unused and low balance accounts to keep individual utilization down. Maintain a minimal balance and monthly payments on all accounts.
21. Reduce balances according to the 74/29 rule:
 - a. Pay all past due and over-limit amounts immediately. These hurt you the same as a collection account.
 - b. One by one, pay down each account, highest interest rates first, to bring all accounts down to 74% of the limit.
 - c. Now, pay all, cheapest first, under 29%.
 - i. ✂ **PRO TOP:** Use the "Max Next Rung" method. Depending on the credit limit of each account, pay down one account by two steps if it costs less than bringing another account down by only one step.
 - d. Do not pay accounts off entirely. Leave small balances on all accounts.

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22. ✂ **PRO TIP:** Improve your utilization for FREE. Request all revolving creditors to increase your account limits as much as possible and make sure they are all reporting the proper limit/high credit on your report.
 - a. **BONUS:** This hides previously overdrawn accounts when the higher limit is reported.
 - b. **BONUS:** A good rule of thumb is to request a 100% increase to limits below \$1,500 then decreasing down to only a 50% increase as your credit limit gets nearer \$3,000 to \$10,000 depending on your income.
23. Call and request to reactivate any GOOD inactive or closed accounts you may have. Try to keep the same open date from the original account. Use them and pay them monthly.
24. Do NOT pay off collection accounts older than 6 months unless required by the loan program. This turns an insignificant OLD derogatory account into a CURRENT paid but still derogatory account.
 - a. ✂ **PRO TIP:** There are some situations where you can get a boost from paying an old collection. ONLY do this after consultation and on direction from Ray Jones.
 - b. ✂ **PRO TIP:** Pay medical collections less than 1-2 years old ASAP. Starting in 2022, medical collection accounts will not be reported until after 6-12 months in collections and then once paid, they are automatically REMOVED from your credit report.
25. Pay off collections opened within the last 11 to 24 months ONLY in exchange for removal of negative reporting. It's important to follow the exact steps found in the *How-to Payoff Collections* guide.
 - a. ✂ **PRO TIP:** Do the same with active accounts reporting negatively within the last 12 months. Negotiate the removal of negative reporting in exchange for account payoff. The creditor will probably require the account to be closed. Do it. This is an exception to the rule of never closing an account.
26. ✂ **PRO TIP:** Call and request negative items to be removed by the creditors as a "favor to a valuable customer." Try again with another person when they tell you they can't do that. They can and do! Politely ask for a manager when the operator refuses to help you. It may be a "one-time hardship application" or a "one-time courtesy" or they may only notate your file and you must dispute the incident with the bureaus but then they will not confirm the derogatory event and the bureau will remove it. Tell your story. Tug their heart strings. Don't take no for an answer. Do not BLAME anyone but yourself. Take responsibility and explain how this is hurting your family/children/life goals/ability to buy a home/etc. and remind them again how good of a customer you have been.
27. ✂ **PRO TIP:** Settle outstanding disputes on all accounts before checking credit again. Disputed accounts are excluded from the credit score so we can't allow them to remain in dispute. (See *How to Remove Disputes*)

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ACTIONS EFFECTIVE WITHIN 3-6 MONTHS: *(Disputes & New accounts)*

28. Go ahead and dispute negative information with the Bureaus and the creditors since we have more time.
- ✂ PRO TIP:** Dispute all negative accounts with missing DLA as over 7 years old and should be removed. FCRA requires creditors to report specific info, such as DLA or their reporting is illegal and must be removed.
29. When necessary to open new accounts, do them all right away and all at once. New accounts initially lower your score but then can boost it to new heights after about 3-6 months of good payment history.
- ✂ PRO TIP:** New accounts will make a large difference for people with very few established accounts. They will only improve your score a small amount for those with several existing accounts.
30. **✂ PRO TIP:** Have a friend or family member co-sign for personal loan for you from a local bank or credit union. Installment debts are NOT included in your revolving credit utilization calculation so use the money to negotiate payoffs and negative removal on other accounts, reduce balances according to the 74/29 Rule.
31. **✂ PRO TIP:** If you must open secured credit accounts to start building your credit, an excellent option is to open a savings account or purchase a C.D. (Certificate of Deposit) with a local bank or credit union. At the same time, take out a personal loan secured by the money you just gave them. On the first payment, pay off 91% of the loan with the borrowed money and then make minimum required payments until paid in full. Many loans will not require a payment for a very long time but be careful not to incur service fees.
32. **✂ PRO TIP:** If you have an unpaid federal tax lien < \$25,000 and have made at least three payments, you can request the lien be removed with IRS Form 12277.