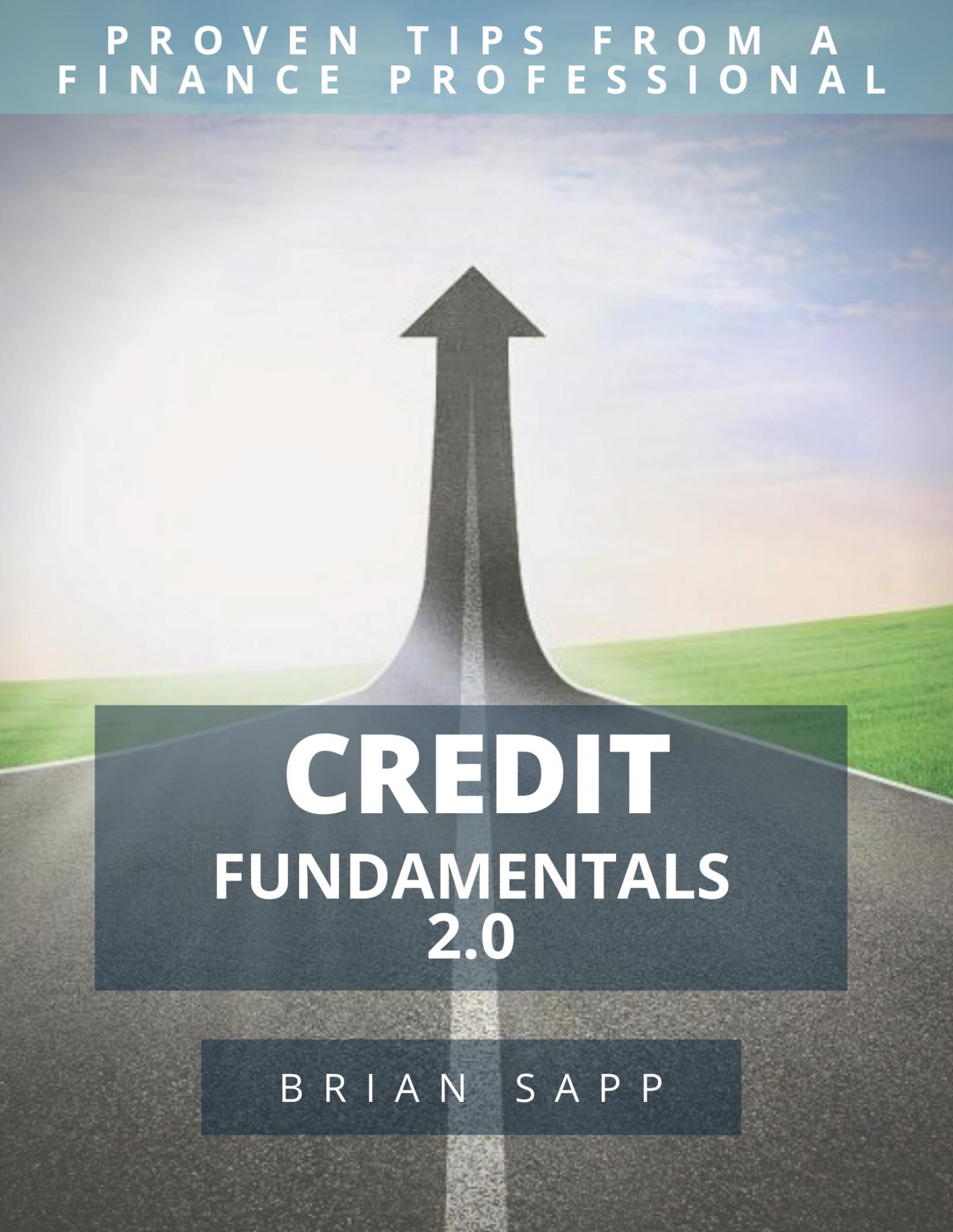


PROVEN TIPS FROM A  
FINANCE PROFESSIONAL



**CREDIT**  
**FUNDAMENTALS**  
**2.0**

BRIAN SAPP

Introduction	3
The History of Credit	5
Credit Basics	9
The Credit Repair Process	12
Getting Positive Credit / Improving Scores	21
2022 Inflation: Causes, Effects, And Tips To Stay Afloat	28
Little Known Credit Tips & Secrets	34
Reference Information	38
About The Author	41

# Introduction

In our first edition of this book: Credit Fundamentals, we were just recovering from an economic downturn that came to be called “The Great Recession” that lasted from 2007 to approximately 2010. That period resulted in a state of financial disarray and a lot of damaged credit, which was the reason for the original version of this book. We are now in another state of Economic turmoil that started with the whiplash effect of the COVID 19 pandemic. The damage from COVID caused a massive layoff across the nation and resulted in shortages for many of the commodities that we take for granted in our daily lives. Even though we now have a better understanding of COVID as well as vaccines to help prevent infections, the resumption of “normal” life resulted in a massive upsurge of demand which has caused supply shortages, longer wait times, and Worldwide inflation. This, along with our current gas prices and fears of war has resulted in a world where inflation may become the norm for the next few years.



This series of events has prompted us to revisit our original Credit Fundamentals e-book because in our view even though THIS time we are facing rampant inflation, we understand that these current conditions can cause the same credit and budget issues as “The Great Recession” of 2007. In this issue we will revisit the fundamentals and just update areas that may have changed in the last 10 years.

Technology has done a lot to transform the credit and finance industries no different than the rest of the world so we will be giving you up-to-date info that you can use NOW. We will touch on any new laws or regulations regarding credit reporting such as changes to how medical collections are handled based on recent rulings. Finally, we will address the high and increasing Inflation issues that we are all dealing with these days. We will go over ways to help maximize your dollar, tips that can help you save more money, and talk about some of the causes of this current worldwide situation with inflated costs and supply shortages.

We hope that you can use this book as a guide and notebook on the "how to's" of dealing with consumer credit and how to deal with the real-world challenges brought on by inflation and the inflated costs of living. Please reach out to us if you have questions; our contact info will be in the back along with different credit tips to help resolve credit issues. We promise you, if you read this e-book you will know more than most people will ever know about consumer credit!

Enjoy!

# The History of Credit

The history of credit goes back at least as far as 1300 B.C.

Throughout its evolution many significant events over time were made possible by the advancing of credit in its many forms.

For Americans two events stand out in our history that without the existence of credit, and people or countries to offer it, The United States as we know it probably would not exist today.



The Mayflower expedition, though not the first of its kind to make it to America, may have been the first credit related event in our history. The pilgrims who chose to make a start in the New World as it was called back then, had very little money or resources of their own to make the trip AND survive some of the hazards or challenges that they would encounter. It is said that at least one prominent, sympathetic

merchant gave the pilgrims credit, or in this case supplies to last through the dangerous voyage to America. They were also given tools and weapons to be able to survive once the settlers arrived at their destination. As we all know from history, the Mayflower expedition went through a lot of trying times before they were able to feel secure that they would make it in this new land. And as for the credit, it turns out that the financing arrangement between the merchants and the pilgrims may have also resulted in the first loan modification - instead of the credit being paid back in 6 months time which was the customary arrangement back then, the pilgrims needed more time - 25 MORE YEARS to be exact.

Another important event in U.S. history shaped by the advance of credit is the American Revolution. The continental army led by our

first president, George Washington, suffered throughout the revolutionary war from lack of food, low supplies, and poor weapons.



The French government eventually sided with the Americans, probably to get back at England, and we're able to help supply the colonists with the materials to be able to successfully fight for their freedom. As evidence of this agreement, the continental congress issued to the French a promissory note that was probably one of our first forms of paper money. This promissory note was the Americans promise to eventually pay back the debt with Spanish gold coins, which was one of the prevailing currencies at the time.

Without these two early examples of credit, it would have been hard to imagine how the exploration and settlement of America would have turned out.

But the credit system as we know it today started to take shape near the middle of the 19th century. Back then, we didn't have as many large ticket items to sell and buy as we do now. The necessities of life and the equipment to supply them were the hot items back then. And borrowing if you were not well to do meant asking a family member or the local merchant. Normally a household would make due on whatever they could buy in cash, but certain items like sewing machines were very expensive back in the mid - 1800's, almost like buying a car today. By the 1850's, Singer Sewing Machines had factories that were able to mass produce the machines, but with the typical family earning less than \$500 PER

YEAR back then, only the wealthier families could afford one. So, in an effort to get more customers, the Singer company started to offer their machines on the installment plan. This basically amounted to a down payment and periodic installments until the balance was paid off. Soon, other companies found ways to offer the same type of plans for other necessities and goods. But the majority of sales on credit during that time was still between manufacturers to be able to mass produce their own goods, so it makes sense that the first company dedicated to reporting credit amongst its members started from a manufacturing atmosphere. On July 20, 1841, the Mercantile Agency was formed in New York City as a way for finance people in different companies to share objective, reliable credit information with each other to foster a better business atmosphere. This agency eventually evolved into Dun and Bradstreet, one of the largest commercial credit information companies in the world.

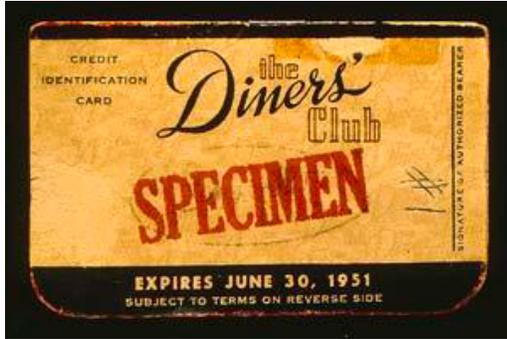
The evolution of credit cards started from a completely different need..... or maybe "want" would be a better way to describe it.

Changing customer attitudes about credit, helped along by large corporations that had goods and services to sell to an ever-increasing population, created the opportunity for the rise in credit card usage. The first "credit cards" were used by hotels



as a way of catering to wealthy clientele to add convenience to the clients visit. This normally would mean that the client would not have to "pay as they go" but by presenting the card given to them by the hotel, they could pay at the end of their stay or later depending on the arrangement. Basically, this created an atmosphere of exclusivity to have a "credit card". But credit cards the way they are used now by the common consumer didn't really take off until the 1960's. The

Diners Club card, which was started back in 1949, came out with a "dual party" card that basically meant that Diners Club would sign up restaurants and hotels(creditors), then



also sign-up credit worthy people(consumers) who would use these cards as a convenience to buy meals or hotel visits, then pay off the debt in the future. The Diners Club functioned as the party that would provide the money to the creditors for their goods / services, then collect the

money from the consumer on the installment plan. Since that time, banks and financial services companies have stepped in and now provide credit cards for all types of goods and services. Credit cards provided short term convenience in buying goods and services, but other companies helped to finance larger purchases. Companies like General Motors for example, started to provide longer term installment contracts to finance the growing auto industry. Endorsements by celebrities, and radio advertising helped to fuel increasing desire for larger ticket items. With wariness regarding credit slowly eroding in the public eye, more and more items have become available to the point where almost nothing is impossible to finance. With dependence on credit becoming more prevalent, the need for credit education has also becoming more crucial.



# Credit Basics

## ***How You Start***

Getting credit when you first start is easier than you think. For many, it starts when you graduate high school and apply for, or send off for information from a college. Usually credit card companies will offer you a “student” credit card to help you deal with expenses for school. Once you receive one invitation and you accept it, then very soon you’ll get other offers IF you pay on time. If you pay on time for at least 6 months to a year on the initial card that you receive then you’ll most likely get a credit increase or approval for another card. And here we go on the credit rollercoaster!



## ***Store Cards/ Gas Cards / Credit Cards***

Contrary to the beginning of the 20th century, we now have credit cards for just about every type of need or convenience. Here’s a brief rundown:

Store cards - these cards are offered by department store merchants like J.C. Penney, Kohl’s, Best Buy, and you’re able to use this type of card in their store only or maybe within that merchant’s affiliated stores.

Gas cards - Gas cards that are offered by most oil companies such as Shell, Mobil, and Chevron are used for gas purchases plus any convenience items that are available at their stores on the site.

Dual purpose Credit cards - I mentioned these in our earlier examples of credit card usage. Many different types of company's offer these cards and they can be used to buy at any merchant or restaurant if that business accepts that type of credit card. Our major credit card issuers are Visa, MasterCard, and American Express. Discover Card is another popular card.



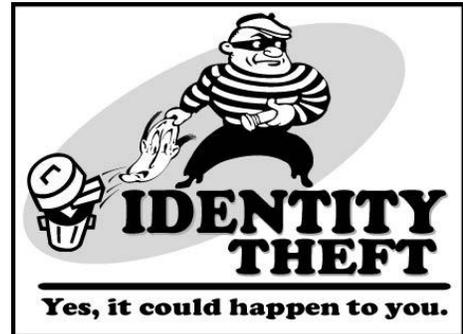
### **Credit Common Sense:**

No matter if you are using credit cards, took out an unsecured loan from the bank, or buy a car using installment financing, you still must use common sense when working with credit. One of the most important rules when dealing with credit is to make the decision that you should not apply for any credit if you don't have a stable source of income to pay it back. These resources normally include job income, allowance from a parent, or maybe from financial aid if you're a student. Whatever source that you're income derives from, you should be wary of using your credit or buying something that is outside of your ability to pay back. This could lead to budgeting problems and eventually a bad credit rating.



You'll want to start small when getting used to the credit game. Getting a small credit limit is usually a good idea to start. This will allow you to make purchases and get some needed items without huge risk. It will also allow you to get used to making payments on a monthly schedule or better yet, paying off the balance at the end of the month.

When using your credit card, and even financing other purchases "on time" or by installment, you'll need to use basic security to help prevent identity theft in this information age. Credit safety tips like not bringing your social security card with you, or not leaving your wallet or purse unprotected when not at home, is always a good idea. Covering the keypad from prying eyes when entering your personal identification number (PIN) and locking away personal / financial paperwork are also great ideas. I'll have a few more security tips at the end of this eBook. If you find that you're having trouble making your payments for your credit obligations, then don't hesitate to call your creditors to explain and make alternative payment arrangements. If you've had the loss of a job or another personal setback it's a good idea to keep the people you owe money to in the loop and prevent any additional problems related to your finances.



# The Credit Repair Process

In this chapter I will describe to you the basic process of getting your bureau, identifying mistakes or derogatory items, and procedures you can use to get your bureau updated. I will also describe some common situations that often happen in the life of a credit bureau (may have even happened to you). I'll finish with tips on how to reestablish your credit history.

Also, don't forget to look at the back of this book for some interesting facts about buying a car or home that most consumers don't know!



## **IN THIS CHAPTER WE'LL COVER:**

- *Pulling Your Bureau*
- *Identifying Mistakes Or Derogatory Items*
- *Scenarios That Lower Your FICO Scores*
- *Repairing Your Credit*
- *Getting Positive Credit / Improving Scores*

## ***Pulling Your Bureau***

To start the process of verifying that your credit bureau is accurate is simple. You begin with getting a copy of your credit report. By law you are allowed to get a copy of your credit bureau at least once a year at no cost to you, AND also the right to get a copy of your bureau whenever you're turned down for credit - this last to ensure that there were no mistakes that may have contributed to an adverse decision by the creditor. There are many companies willing to help you but remember to get a credit report from each of the main credit agencies: Experian, Transunion, and Equifax. Services like [annualcreditreport.com](http://annualcreditreport.com) and [freecreditreport.com](http://freecreditreport.com) also provide a free bureau for you. There are even services that provide a full range of credit services including identity / credit theft prevention features. Always ask questions and get referrals when choosing any credit service. A good rule of thumb would be to pull your bureau at least once a year - but if you're an active credit user, travel often, or run a business then you may want to sign up for a credit service and check your bureau at least twice a year. One last detail that is very important. Be sure to give your full, correct personal information when pulling your credit history. This is vital because of the possibility of similar names - you want to provide enough information to separate you from others who have identical names as yours.

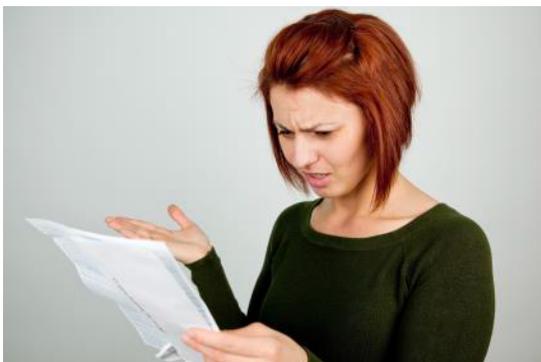


## ***Identifying Mistakes or Derogatory Items***

Once you have a copy of your credit bureau you will now be able to identify any errors or possibly even attempts at fraud using your profile. Even without someone trying to steal your identity accuracy is still an issue. A recent study by the Federal Trade Commission found that 1 in 5 credit reports had at least one error when pulling the three main credit agency (Experian, Transunion, Equifax) bureaus.



Fraud or errors on your credit bureau can negatively affect your credit score, which is a major part of how your applications are analyzed for approval. Errors can be as simple as showing an old account as still being open or as serious as showing a negative account twice on your report. In the case of fraud, it would be the



fact that there are one or more accounts that you KNOW were not opened by you or possibly inquiries from creditors where you did not apply. Either way you need to be aware so that you can take immediate steps to prevent further damage.

Sometimes other items show up that are correct but that you may not have been aware could show up on your credit report. Examples of this could be parking tickets, doctor co-pays, and child support obligations. Again, regular checking of your bureau allows you to identify, and then correct these issues.

## ***Scenarios That Lower Your FICO Scores***

There are many otherwise knowledgeable people out there that believe that if you just make your payment when your bill comes (yes! important), or worst case if you pay your bills before being 30 days late then you'll have good credit. This is not true! No, you won't have an open 30 day late on your account, but your bureau scores are calculated by more than if you're current on your bill or not.

For example, one of the most important areas has to do with the amount of your available credit that is used. It is estimated that up to 30% of your credit score is influenced by your available credit, or put another way, the lack of it. I'll try to give you a simple example - you have a credit card with a \$100 credit line. If you only use \$20 dollars of that credit then that is only 20%, and you still have considerable room, percentage wise, to use that credit line. But if you end up using \$80 or 80 percent of your available credit, then your purchasing power then becomes much less. This is also how the credit agencies look at it; your ability to use the credit that you have if you needed it. So, you may not be able to pay off your credit cards every month, but it's a great idea to keep your balances as low as possible. In fact, according to FICO, consumers who have scores above 780 have an average utilization percentage of 7% on their revolving credit. Maxing out the credit cards is one way that many people with otherwise good credit suffer the consequences of lower scores. Simple Lesson: keep your credit obligations as low as possible.

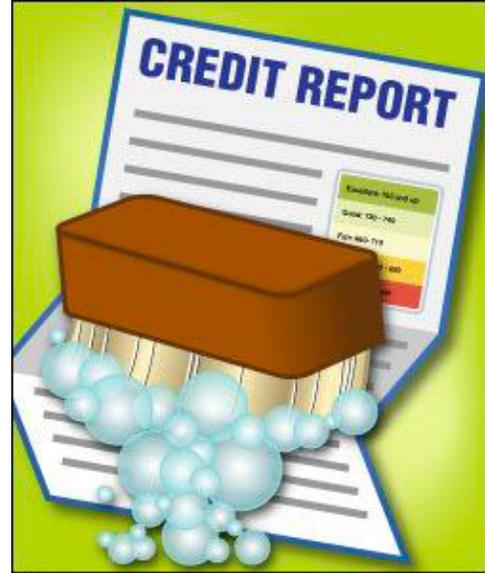
Other factors that affect your credit that are NOT delinquency related are new accounts, the closing of a credit line reducing your amount of overall available credit (careful with that!), and then a

large amount of inquiries over a short period of time. To give you a better idea of the major areas that are considered when your scores are calculated, here is a listing in order of importance:

Payment history (35%), Available credit (30%), Length of credit history (15%), Types of credit (10%), and New credit (10%). You might wonder that if our credit is so carefully calculated, why don't we know more about this, but it's simple. The information IS out there, but not robustly advertised. Use the power of the computer age and google it! You could just search "credit education", or "credit knowledge" and you'll get tons of hits (remember to verify your info). If not, you'll have my contact info at the end of this e-book to ask questions.

## ***Repairing Your Credit***

Our country has gone through the pain of inflation and recession many times before. But now we've been hit with an economic 1 - 2 punch with the COVID pandemic (still working through it) and now rampant inflation across the whole economic spectrum from fuel to food. This combination contributes to the risk of damaging your credit, so let's talk here about repairing it. This will help to positively influence your future efforts no matter if its employment, purchases,



or even insurance for your family. The first thing you may want to consider when repairing your credit is the dispute process. As stated in the previous chapter on "Identifying mistakes..." 20 % of credit bureaus have errors on them. If this is your case, then I'm going to

summarize for you the process of correcting your credit bureau info. For more complete, detailed instruction straight from the Federal Trade Commission I have included the verbatim process in the reference section at the end of this book. Under the Fair Credit Reporting Act, both the credit reporting company and the information provider (that is the person, company, or organization that provides information about you to a credit reporting company) are responsible for correcting inaccurate or incomplete information in your report. To take advantage of all your rights under this law, contact the credit reporting agency and your creditor to start.



### ***The Dispute Process***

I'm going to describe the dispute resolution process in laymen's terms here, but again, remember that I have the FTC's instructions (in long form) in the reference section at the back of this book. Upon discovering that you have errors on your bureau, and after

having taken unsuccessful steps to have this resolved with the creditor that holds the account, you will want to get the main credit agencies involved. You will want to contact Experian, Equifax, and Transunion to resolve the dispute with your creditor. Once upon a time you would have had to send a registered letter to the agencies so that you can get a receipt confirmation, but in the information age, starting your dispute online can save you much time and effort. Go online to the credit agencies and you will see a link to their credit dispute area (I normally see it at the bottom of their webpages).

Click that link and you'll be given some information on the process and then a link to go to their secure area to start the dispute.

The credit agencies will have you log in (or register if you're new) and then you'll be able to put in your personal information to see your credit info. With the online dispute version normally, you will see your bureau with your accounts, and there will be a drop down box to indicate the type of dispute that you have. Try to be specific and add any notes if you're allowed. If you have to do this by registered mail, then you can add as much detail as you want – still try to be concise to help the credit agencies get right to the issue. The FTC states that:

*“Credit reporting companies must investigate the items in question – usually within 30 days – unless they consider your dispute frivolous. They also must forward all the relevant data you provide about the inaccuracy to the organization that provided the information. After the information provider receives notice of a dispute from the credit reporting company, it must investigate, review the relevant information, and report the results back to the credit reporting company. If the information provider finds the disputed information is inaccurate, it must notify all three nationwide credit reporting companies so they can correct the information in your file.”*

When you have a credit dispute pending, it is recommended that you wait to apply for credit. This will ensure that the most current credit report is available for a creditor or lender to review when making a credit-related decision. If you file a dispute online, you'll be notified when you can view a credit report online that includes the results of our investigation. If you call or mail in your dispute, a credit report reflecting the results of the investigation will be sent to you by

first-class U.S. mail. You will normally have to wait up to 5 business days from the time your investigation is completed for mail delivery.

The one intangible for consumers in the dispute resolution process is the amount of due diligence that you apply when following up on your claim with the credit agencies. There are many people and organizations that do not seem to be sure if there is a time limit for credit agencies to resolve disputes but again, I'm going to take it directly from the law. The following is from the Fair Credit Reporting Act:

*FCRA § 611 (15 U.S.C. § 1681i) Procedure In Case Of Disputed Accuracy*

*(a) Reinvestigations of Disputed Information*

*(1) Reinvestigation Required*

*(A) In general. Subject to subsection (f), if the completeness or accuracy of any item of information contained in a consumer's file at a consumer reporting agency is disputed by the consumer and the consumer notifies the agency directly, or indirectly through a reseller, of such dispute, the agency shall, free of charge, conduct a reasonable reinvestigation to determine whether the disputed information is inaccurate and record the current status of the disputed information, or delete the item from the file in accordance with paragraph (5), before the end of the 30-day period beginning on the date on which the agency receives the notice of the dispute from the consumer or reseller.*

\*\*\*\*\*

The above instructions are important to note because to be clear THERE IS NOTHING A CREDIT REPAIR AGENCY CAN DO that a consumer with the right information can't do for themselves. Yes, I know this can be controversial in some circles, but the Federal Trade Commission and other organizations will back this up; no point being vague. Remember "Knowledge is Power" .....but only if you use it!

\*\*\*\*\*

SO HOW DO WE IMPROVE OUR CREDIT?



READ ON.....

# Getting Positive Credit / Improving Scores



Okay, you've gone through the dispute process and everything else on your credit bureau **is what it is**. The next step is to start re-establishing your credit stability by getting new, positive accounts to improve your profile, as well as your FICO scores.

Instead of putting you through the process of paying hundreds and thousands of dollars to organizations to either delete or improve your credit history, I'm going to give you strategies that you can LEGALLY use to improve your profile AND increase your scores over time. Remember, this will only happen if whatever circumstances that damaged your credit profile initially has been resolved. If you're continuing to have issues with a credit challenge, then FIRST contact the creditor where you have your issue so that you have your best chance for resolution.

## **IN THIS CHAPTER WE WILL GO OVER:**

- *Paying Back OLD Creditors (Yes, I Said It!)*
- *Other Credit Improvement Ideas*
- *Little Known Credit Tips & Secrets*

## ***Paying Back Creditors (Yes, I Said It!)***

Okay, yes paying back prior bad debts can be a good idea. And yes, it is an important part of re-establishing your credit.

Hear me out.....

We're in the age of computer analysis and credit scores. In order to maximize your opportunities to have the resources that are available in the information age, we need to understand that consumer lending guidelines amongst various industries affect how we proceed in re-establishing our credit profile.

There are a few items that are usually required to pay back if you are seriously working to re-establish your credit. Furthermore, most lenders and some of the necessities of life may depend on it. Luckily, paying off the following items on your bureau can also increase your score:

- State or Federal tax liens
- Civil Judgments
- Municipal debts (parking tickets, library fees, etc.)
- Utility bills
- Child support arrears



Now, a few details about paying back old, negative debt on your bureau and how it affects your credit scores. Many people have



experienced the drama of having a collector call and you nervously agreeing to a payment plan to take care of your debt. This may sound like a great idea – for the collector. However, in your case you most likely have helped contribute to lowering your credit score even further. The problem with making monthly payment arrangements for old collections accounts is that when the collection

agency records your partial payment on your bureau AND the account is not resolved, the negative account will be treated as a recently occurring event and **your score will drop accordingly**. To avoid having your score drop while doing the right thing for your credit you will want to, whenever possible, make a onetime arrangement to either pay the account in full OR pay a discounted amount as a settlement if you have a choice. Either way, the result will be that it is a ONE-TIME payment that will also RESOLVE the account. From that point on this account will show as more positive than an open “collection” account and help to contribute to a better score.

Another important item.... all collections aren't equal! Other than accounts like the types I mentioned at the beginning of this chapter, not all collection accounts (no matter the amount) are equal. I know it's easy to see a large account from the past and cringe while you worry what they are going to do to you. No, I'm not saying to ignore them either. What I'm saying is that you must pay attention to the statutes of limitations for ANY debt that you may owe someone unless you have it discharged by bankruptcy proceedings or other

legal authority. But when paying back debts to increase your credit score, the **time period** that the account hit your credit bureau is most often more important than the amount. And for you consumers who may want to improve their credit to buy their first home, remember that **FHA loan requirements usually look at the past two years in regard to collections accounts, and will now disregard most medical collections accounts.** So, remember when re-establishing your credit, it's always a good idea to speak with a credit professional to give you guidance on your best approach to higher scores BEFORE you start paying money.

## ***Other Credit Improvement Ideas***

I wanted to spend the time that I did in the previous section on items that should be paid, because I felt that you're reading this eBook to improve your credit profile for a reason; to be able to buy a car, rent an apartment, get a credit card, or maybe even buy a home. To do this, some details can't be avoided. But now we are moving on to what most people will also do to re-establish their credit, and this part is important to give you a balance as well as improved overall profile.

To begin with, most people will normally avoid putting off a true attempt to re-establish credit until they get a credit card offer in the mail or some other event causes them to apply for credit well after the most recent negative credit experience. But this is actually a good way to go, and the sooner you start applying the better for you. The worst that could happen at this point is that you'll be



denied for a credit card, but you may still have an option. Even as recent as 6 months after a bankruptcy you could apply for a **secured** credit card (if first turned down for an unsecured card) where you can place a security deposit to offer up in case you do not repay your credit obligation. It's simple, you give a security deposit that will be placed in a type of escrow account in case of default. You're also normally assessed a fee to start up the account (usually added to your first balance statement). And then you'll start with a small credit limit in the range of about \$300. The great thing for you and your credit is that the account will be shown on the traditional credit agencies, and you will now start to record some positive credit history - if you pay on time. Another positive outcome of getting this new credit is that after a record of positive payments and depending



on the time since your prior negative credit, you will eventually start to be offered unsecured credit cards. They will be at a higher than average interest rate, but you will now have the choice of taking another card or staying with the card you have - and yes, what you want is the ability to choose.

Another way to help to reestablish your credit AND eventually increase your credit score at the same time is to have a person co-sign for you on a car loan. Sometimes this can be a touchy conversation to be had with a family member or close friend, but if you have their trust then you have yet one more option to get back to credit stability.

Having a friend or family member add you as an authorized user on their credit card account in good standing is another excellent idea. This can have the effect of boosting your credit score and getting the notice of credit card companies who are known to find their potential customers by getting marketing lists based on FICO scores that match their guidelines. That's how you often get an offer to apply for a credit card out of nowhere or receive a pre-approved card without even applying. This practice is legal because the companies do not view any personal information related to this marketing effort.



## **THANK YOU!**

I hope that Credit Fundamentals, was able to provide you with simple, common sense information to help you and others get started on the road to recovery, or maybe to just get started with credit. But wait.....

How do we deal with Inflation? What can we do? AND, what if you don't have any credit? Or what if you need to boost your FICO score and have no money? Filed BK and need a car?

READ ON..... a few more bonus tips and secrets!



## **2022 Inflation: Causes, Effects, And Tips To Stay Afloat**

Okay, let us tackle the 600lb elephant in the room that over the last year has burst out into the open - INFLATION. Steadily as the COVID pandemic's tragic effects have started to ease (but still a serious problem), people have fortunately been able to get back to work which has increased incomes and with that, demand for products / services. This has turned out to be a bittersweet transition because even though there is increased demand for all types of material goods, travel, and whatever is on sale online at Amazon, the disruption in the supply chain from the COVID pandemic has caused problems worldwide. COVID had shut down manufacturing all over the world, but more importantly, China is still suffering in production due to self-imposed lockdowns long after the rest of the world's manufacturing workforce has gotten back on the assembly line. This delay in the supply chain, which affects the final product, combined with the increased demand of people back in the workforce has caused tremendous price increases across a wide range of products and services. Additionally, the war between Russia and Ukraine has not only affected the world's oil/gas supply but also has hit the world's breadbasket, with much of the world's grain supplied by the fields of Ukraine. Moreover, the ability to borrow money at some of the lowest interest rates of all time has fueled a borrowing and spending spree that has lasted for years. Normally a recession happens in the range of at least every 8 - 10 years but our most recent period of living "the good life" has lasted much longer, eventually heating up an economy that has now required the U.S. Federal Reserve to drastically raise interest rates to cool off demand, hopefully slowing down inflation to avoid an eventual recession.

The effects of inflation that the average consumer is dealing with are many. From buying gas to purchasing eggs at the supermarket, prices on many regular products that we use have increased 2 and 3-fold. Americans have been fortunate in the last couple of years to see incomes increase as more employers were forced to compete for workers. One of the more recent reports on U.S. payrolls showed that income for American workers had increased 4.8% year to year ending March 2022. However, current inflation statistics show costs have increased close to 9% in the last year. At this rate, the average consumer cannot keep up. So far though reports show that overall, the U.S. population is still in the “get back to life” mode after spending months isolating to avoid COVID. People are traveling, eating out, going to amusement parks, and spending as though inflation is not creeping up on them. And the unemployment rate since the easing of pandemic restrictions has been at or near all time lows which is keeping workers with regular paychecks spending even though costs for material goods are rising. But Banks, Congress, and the Federal Reserve have been warily watching and the calls for change in monetary policy are at a fever pitch. The Federal Reserve recent raised a key interest rate by 3 quarters of a point and are looking at a possible increase of 3 quarters of a point soon. The effects of these rate adjustments have caused Mortgage interest rates to double since the beginning of last year. This increase has had a cooling effect on the home buying market and may work to drive home prices down as recent reports are starting to show. The problem here though is even though home prices may decrease, the significant increase in mortgage rates may keep the dream of homeownership at arm’s length for the first-time homebuyer. And even though the plans by the Federal Reserve to cool demand may work eventually to help lower some prices, there are fears that the Fed’s action by itself may not be enough. Expenses

like Rent (most consumers rent), certain food prices, and many services that have gone up in price usually do not tend to drop back down as inflation eases. So, the hope of many experts who are inflation savvy is that supply chain and workforce issues will be resolved worldwide, and more alternative energy sources will help to offset the current demand for oil/gas in the world. In the meantime, it would be wise for all consumers to start looking ways to cut costs wherever they can. Let's talk about it.

## **WAYS TO SAVE DURING INFLATIONARY TIMES**

Since this is not the first time that the United States (or the world) has experienced times of inflation Governments, businesses, and individuals have worked to do whatever is possible to help ease the effects of higher costs. Based on research there have been at least 5 other periods of inflation higher than 5% since World War II, in 1946 - 48, 1950-51, 1969-71, 1973-1982, and 2008 so you can see we have a bit of experience. The U.S. government through the Federal Reserve will normally work to control inflation by adjusting interest rates, price controls, and monetary policy. I'll admit much of this is above my paygrade, but what I CAN do is give the following tips to help your budget stay afloat during these inflationary times.

### 1. Comparison Shop for Groceries

It is always a great idea when buying your groceries to find out which products at different stores in your local area have the best prices. Some prices may be better at the big box grocery stores, but other items may be a better value at your local grocer or produce store. Knowing where you can get "The deals"

on a weekly basis could go a long way to saving you money.

## 2.) Cut Back on Driving

Ride sharing, public transportation, and cutting back on leisure travel are all ways to cut back on paying the inflated costs of gas. If you are a person who works in a field where it is possible to telecommute or work from home, NOW is a great time to ask your supervisor or Human Resources if work from home is possible. If you live in closer proximity to your employment, get a bike (how 'bout a motorized bike?) or be willing to walk may be the ultimate gas saver plan. Look at YOUR own personal requirements and try some of the options listed here - they could work for you!

## 3.) Take A Look at Insurance Plans

Your current Insurance plans may be another way to save on your overall budget. Looking at the coverage for your auto vehicles by comparison shopping may yield benefits by either raising your deductible or finding a new plan with a lower price. If you have life insurance policies, you may be later in life where you can either stop payment on the policy or even cash it in. If you are a younger person, switching from a whole life policy to a less expensive term life insurance policy may help you save monthly. Talk to your insurance rep, they may have some ideas where you may not have to switch insurance companies. Remember, communication is the key to having options.

## 4.) Create a Meal Plan or Budget

Food costs are some of the more expensive items in a household. Creating a meal plan that lays out in advance what you are going to eat over the week can help you plan for your savings. For example, since costs for Meat has risen, planning your meals around a more vegetable-based menu could help control costs. No, it does not mean you need to be vegetarian, but cutting back on the amount of meat you eat during your meals will help

reduce costs while ensuring that you are getting the nutrients you need. This and comparison shopping are a useful combination.

#### 5.) Pay Down Credit Card Debt

Since the government is raising interest rates to combat inflation by raising borrowing costs to lower demand, there is a good chance the interest rates on your credit cards could be affected. Paying down your credit cards to \$0 could help you avoid a higher credit card bill on your balances as interest rates rise. Now let us be clear, DO NOT close your credit card accounts. Paying down your credit cards could also give you a boost to your FICO scores but closing your accounts could give you the opposite effect.

#### 6.) Cut Back On Subscriptions (Including Phone Apps)

A great idea to immediately save some extra cash is to get rid of any unnecessary subscriptions that drain cash from your checking account each month. Cable TV, Netflix, Amazon, online magazines, and many more types of instant subscriptions may be one of the main ways to reduce your expenses. Put it this way; you could always sign up again later, right?

There most likely will always be periods of Inflation, but long term out of control costs could lead to a recession. The federal government here in the United States must work with the rest of the world to help stabilize supply lines, ensure that we have adequate raw materials here at home to produce American made products, and help to control costs so that we have a balanced, growing economy. Until that happens, Americans must do what they can within their own families and communities to help balance their budgets to continue to provide for their families as we go forward. I hope the information provided in this section, as well as in this book, will help you to ease the pain of inflationary times in

your own life while giving you the Credit Fundamentals to protect AND enhance your personal financial profile in the future.

# Little Known Credit Tips & Secrets

Just like a lot of circumstances in life, we often try something and if it turns out in a negative way, we'll tend to put it down and stay clear of it. But there is wisdom in the saying that if you get knocked down once, then you should get up and give it another shot. This is not only true with life but also with credit. Here are some facts that most consumers didn't know was possible in the credit world - I hope it serves to let you know that just about anything is possible:

- It's easier to finance a car if you just had a BK7 discharged than if you only had a recent 30 day late - yes, it's true! As lenders, we would rather lend to someone who has no debts (BK7) and can't file BK (already happened) instead of someone who appears to be having credit issues. In fact, many "special financing" departments at New / Used car dealerships target recent BK discharges as ways to build / get new business.
- Having a small balance on your credit card statement is better for your score than paying off and / or closing the account - Again YES! Two things here: 1) Using your credit card AND continuing to keep a low balance shows smart credit usage, 2) Keeping open unused credit cards (and using them occasionally to stay active) will allow you to show sufficient credit available as well as longer activity periods - another factor in how bureau scores are calculated.
- A simple way to boost your credit score if you have been denied for a credit card or other credit is to have a trusted friend or relative allow you to be added to their account as an "authorized user". On credit bureaus this helps add activity

periods, credit availability, and good standing to help increase your score.

- Still another way to increase your score instead of applying for another credit card IF you are in good standing is to increase the current limit on your open credit card. This allows you to show more availability of credit as talked about previously.

- Even though collection agencies say that it takes up to 45 days to update your credit bureaus to show a paid account, you can actually use a process called “rapid rescore” to update your accounts much faster. Positive information can be reflected within 5 business days in most cases with a letter from the collection agency and the appropriate identifying information. Talk to a credit professional for details.

- There are even some surprises when it comes to buying a home! Even if you have no traditional credit, you may still qualify for an FHA loan. FHA mortgage guidelines allow for “non - traditional” credit in the case of borrowers who have not had prior credit issues but who just have not had a credit card, auto, or other mainstream type of loan. In these cases, items that can provide proof of honoring financial obligations can include land line phone bills, cell phone bills, auto insurance premiums, rental agreements, and other similar contracts if they can be documented as paid satisfactory for the prior 12 months. These are base FHA guidelines, and the mortgage investors who provide the money for all mortgage loans routinely add what we call “credit overlays” - additional requirements that help to cover the risk of lending to someone with a minimal credit profile. But yes, this is possible.

\*\*\*And here are a couple of tips that may be helpful when dealing with collection agencies:

- Before you respond to collection agency calls regarding an old negative account, ALWAYS check the statutes of limitations for that type of account. Simple; just google it.
- Get all payment arrangements with collection agencies in writing, especially your "paid in full" or "settled in full" letters. These can be used, as in the example above, to rapidly update your credit bureaus if you had a need to move quickly.

## ***Identity Theft Protection***

Here are some tips from the FTC regarding protecting yourself from Identity theft. These are some of the top tips but go to [www.ftc.gov](http://www.ftc.gov) to get the full list:



### *Offline protection:*

- Lock your financial documents and records in a safe place at home and lock your wallet or purse in a safe place at work. Keep your information secure from roommates or workers who come into your home.
- Before you share information at your workplace, a business, your child's school, or a doctor's office, ask why they need it, how they will safeguard it, and the consequences of not sharing.
- Consider opting out of prescreened offers of credit and insurance by mail. You can opt out for 5 years or permanently. To opt out, call 1-888-567-8688 or go to [optoutprescreen.com](http://optoutprescreen.com). The 3 nationwide credit reporting companies operate the phone number and website. Prescreened offers can provide many benefits. If you opt out, you may miss out on some offers of credit.

- Take outgoing mail to post office collection boxes or the post office. Promptly remove mail that arrives in your mailbox. If you won't be home for several days, request a vacation hold on your mail.



### *Online Protection:*

- Take outgoing mail to post office collection boxes or the post office. Promptly remove mail that arrives in your mailbox. If you won't be home for several days, request a vacation hold on your mail.
  - Before you send personal information over your laptop or smartphone on a public wireless network in a coffee shop, library, airport, hotel, or other public place, see if your information will be protected. If you use an encrypted website, it protects only the information you send to and from that site. If you use a secure wireless network, all the information you send on that network is protected.
  - Install anti-virus software, anti-spyware software, and a firewall. Set your preference to update these protections often. Protect against intrusions and infections that can compromise your computer files or passwords by installing security patches for your operating system and other software programs
- Again, I hope the information provided in this edition of Financial Handbooks for Success has been helpful - good luck to you in the future!

# Reference Information

*Federal Trade Commission (dispute resolution process)*

## **Step One**

Tell the credit reporting company, in writing, what information you think is inaccurate. Include copies (NOT originals) of documents that support your position. In addition to providing your complete name and address, your letter should clearly identify each item in your report you dispute, state the facts and explain why you dispute the information, and request that it be removed or corrected. You may want to enclose a copy of your report with the items in question circled. Your letter may look something like the one below. Send your letter by certified mail, "return receipt requested," so you can document what the credit reporting company received. Keep copies of your dispute letter and enclosures.

Credit reporting companies must investigate the items in question – usually within 30 days – unless they consider your dispute frivolous. They also must forward all the relevant data you provide about the inaccuracy to the organization that provided the information. After the information provider receives notice of a dispute from the credit reporting company, it must investigate, review the relevant information, and report the results back to the credit reporting company. If the information provider finds the disputed information is inaccurate, it must notify all three nationwide credit reporting companies so they can correct the information in your file.

When the investigation is complete, the credit reporting company must give you the results in writing and a free copy of your report if

the dispute results in a change. This free report does not count as your annual free report. If an item is changed or deleted, the credit reporting company cannot put the disputed information back in your file unless the information provider verifies that it is accurate and complete. The credit reporting company also must send you written notice that includes the name, address, and phone number of the information provider.

If you ask, the credit reporting company must send notices of any corrections to anyone who received your report in the past six months. You can have a corrected copy of your report sent to anyone who received a copy during the past two years for employment purposes.

If an investigation doesn't resolve your dispute with the credit reporting company, you can ask that a statement of the dispute be included in your file and in future reports. You also can ask the credit reporting company to provide your statement to anyone who received a copy of your report in the recent past. You can expect to pay a fee for this service.

## ***Step Two***

Tell the creditor or other information provider, in writing, that you're disputing an item. Be sure to include copies (NOT originals) of documents that support your position. Many providers specify an address for disputes. If the provider reports the item to a credit reporting company, it must include a notice of your dispute. And if you are correct – that is, if the information is found to be inaccurate – the information provider may not report it again.

Your credit file may not reflect all your credit accounts. Although most national department store and all-purpose bank credit card accounts will be included in your file, not all creditors supply information to credit reporting companies: some local retailers, credit unions, travel, entertainment, and gasoline card companies are among the creditors that don't.

When negative information in your report is accurate, only the passage of time can assure its removal. A credit reporting company can report most accurate negative information for seven years and bankruptcy information for 10 years. Information about an unpaid judgment against you can be reported for seven years or until the statute of limitations runs out, whichever is longer. There is no time limit on reporting: information about criminal convictions; information reported in response to your application for a job that pays more than \$75,000 a year; and information reported because you've applied for more than \$150,000 worth of credit or life insurance. There is a standard method for calculating the seven-year reporting period. Generally, the period runs from the date that the event took place.

# About The Author

## ***Brian Sapp***

I'm a Mortgage Consultant located in Southern California with over 20 years of lending experience. My previous background as an Area Sales Manager for Wells Fargo, and underwriting positions with Household Bank and California Coast Credit Union provide me with a wealth of industry knowledge to help consumers. I also served previously on the board of Riverside Meals-on-Wheels, Inc. including a stint as its vice-president. I'm a native of the Los Angeles area and I look forward to being your "Go To" person for credit info and mortgage financing. Learn more about the author here:  
<https://www.thesappteam.com/about>

