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My Credit Score – Does it Matter anymore??

February already? That means the year is 1/12th over! Ok, slightly dramatic but I would still like to point out that if February passes by as fast as January just did, the Savvy Women's Financial Mastery Course will be here before you know it! If you have not done so already, I would like you to take a quick moment and go check out a series of classes we'll be teaching in March. Go to **www.MacianEdu.com** for all the details. We are excited to have such a resource and are even happier to be able to share it with you.

Credit Rating…a score or something more?

It may be safe to say that we all have heard of a secret society or elite membership…might be as simple as a membership at a local country club. There lies a mystique which surrounds not knowing who may be part of such an organization and what amazing benefits have been bestowed upon the chosen few. There are rules and guidelines to follow and many perks for those who qualify. Now imagine this: YOU are part of a nationwide community, one of great financial liberty. As part of your membership, the availability to get money may be far less expensive than other people in your neighborhood. You will be able to purchase much more expensive luxuries, jewelry, cars, and homes, sometimes with only a simple signature. To top off these interesting features you may from time to time receive offers for vacations, new lines of credit and even cash BACK on purchasing you normally take part in. Wow, what a membership that would be! Well guess what, you ARE in fact part of such a society. Our credit rating system has grown to become a qualifier for how we're allowed to function within the American credit and lending markets, from simple credit cards all the way up to home purchasing and commercial lending. The higher our scores, the more access we have to an abundance of money and convenience! Pretty neat, right? Sure can be, however over the past decade with the lowering of credit underwriting standards, the "membership perks" became widely available, sometimes to those of us who didn't need them, or know how they properly functioned. We've all found that too much of any good thing can lead to its demise, and that's exactly what we're experiencing. Some of our members are ahead and others behind, but how do we know where we rank, how we got here and what to do to get pointed back in the right direction?

Some Points to Consider

Credit scores are generated on a numeric scale which ranges from right around 300and up to 850, with 850 being the highest credit score possible. According to an fantastic article in Money-zine.com, the national average credit score is 692, only 13% of the nation's population has scores above 800. At the other extreme, roughly 15% of the population has a credit score lower than 550. In general, a good credit score is anything above 700.

That information gives you two data points to think about. The national average credit score is 692 and a good credit score is anything above 700. Does that mean that half of all Americans have a credit score below the national average?

The short answer is: No. In fact, 58% of Americans have credit scores above 700. The national average is only 692 because the average is being pulled down by some very low credit scores. Remember, we're not talking about the median score (half the population above a value and half below a value), we're talking about an average score.

There are a total of five factors that go into the calculation of a FICO credit score, however there are just two pieces of information that account for 65% of the total score:

Payment History

(35% of credit score) - Your payment history is determined from payment patterns to creditors or lenders. This component of the score is a reflection of how frequently you pay your bills or loans back on time. This is fairly easy to gauge; make your payments on time, keep your sterling record in this category. One thing to consider is that while you may incur late fees by missing your payment dates, your payment schedule will only begin to become affected once you become 30 days past due or longer.

Outstanding Debt

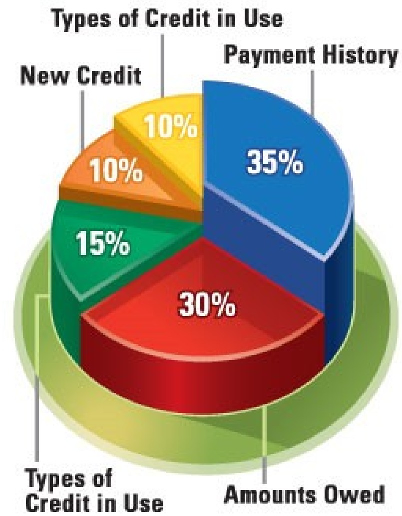
(30% of credit score) - The second major factor is how much debt you have outstanding. The more debt you have outstanding, relative to what creditors think you can financially handle, the lower your credit score. This is a harder category to gauge as every creditor has an internal set of unpublished guidelines. Some say never to maintain a balance of more than 30% of your available limit while others say it is as high as 50%. One thing that has proven to be true in today's economy, the higher your balance the higher your risk of having your credit limit lowered and rates raised.

Another factor considered is the length of time that you have had each tradeline. In "credit land" a tradeline simply refers to a credit card or line of credit. The longer your history with any given institution, the stronger your score can become. Think along the lines of a very long friendship; if your friend accidentally says something that hurts your feelings, you're much more apt to look past the infraction whereas the same comment may carry a much heavier weight coming from somebody you have known for a month.

While there are any number of infractions that can fall us from the graces of the credit rulers, however this is a living, breathing, ever changing beast that you can overcome. If you fall behind on your payments, bring them current as soon as you can. These late payments only stay on your credit report for 24 months. HOWEVER, if you believe they have been reported in error, talk with a representative of the credit institution and clear the matter with them first. Upon confirmation of error, make sure to have them send you a Letter of Correction stating that the late payment was in error and has been removed. You will then want to contact all 3 credit bureaus (Trans Union, Equifax and Experian), send them a copy and clear the issue with them. The process can take upwards of 60-90 or more, however it better to resolve any such errors as they directly affect your financial profile.

Foreclosures and bankruptcy tend to have a much longer affect on your score, typically to the tune of 10 years. While late payments are monitored for a 24 month period, collections, charge-offs (even once cleared), debt repair programs (weighted the SAME as bankruptcy, scary right?), foreclosures and bankruptcy are all listed in a separate section in your report. These are much harder to remove and will remain on the report for years. Many today have experienced foreclosure and while this lists for a number of years, we've seen this to be a less prohibited factor when discussing renting and leasing properties in today's market. I believe this to be an area of necessary oversight regarding whether or not to approve a rental or lease tenant, since many foreclosures were NOT due t borrower failure, rather market distress and faulty loan products. Regardless of where you stand within the credit score rankings, you can always begin to rebuild. Unlike nearly any other membership type society, this is one you will always be a part of, win or lose. So in your lifelong quest for credit rating mastery we are here for you every step along the way.

In closing I wish you a profitable and generous month and challenge each and every one of you to take part in at least ONE random act of kindness. Normally we like to hear about your monthly achievements and advancements, but this time I want this to purely be for you. The purest form of joy comes from that which others do not know that we have done, and these are life's true blessings. Happy February for now, and remember to check out the upcoming Women's Financial Education course, it all begins March 1st



Sincerely,

Matthew Hodgen,
Vice Chairman & COO
marketing@macian-wm.com
m.hodgen@macian-wm.com

Macian Wealth Management
555 California St., Suite 300
San Francisco, CA 94104
Phone: 415-508-3413