

from Chuck's Desk

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I found numerous errors in my credit report a few years ago and went through months of contacts with the credit agencies before the report was corrected.

It has made me very conscious of staying on top of my credit information. You should also.

I welcome any comments or suggestions you may have. Please call or e-mail me at your convenience.

Chuck Donovan

When Did You Last Check Your Credit Report

The three major credit reporting agencies are Equifax, Experian and TransUnion. They provide your credit information to people for credit, employment, insurance and other business purposes and *do so without your permission.*

Therefore, you may believe you have good credit. But you might, like I did, be very surprised to find things in your credit file that you would never imagine or expect. It may happen because you do not understand how your borrowing and bill-paying habits affect your credit rating.

It could be due to a credit agency having outdated or incorrect information. Or your file may also include information and experience of another person with a similar name. *It is a very wise idea to check your credit report every year or so. You must take steps immediately to correct any and all mistakes in it.*

My Own Experience

My credit file contained the information and experience of another person with an identical name in addition to my own information and experience. It was on a report from Experian but there were also some items on a TransUnion report. When I challenged their data, they did not believe me.

It took nearly eighteen months of continuing calls and certified letters to correct my reports. They would fix a couple of the items and send me a new credit report. Then the process would start over again and be repeated several more times until the two reports were finally straightened out.

Your Rights

This experience made me very aware of what rights I have as a debtor and user of credit services. There are seven rights in all, which are:

1. The right to find out what your report says about you. Many people – lenders, mortgage companies, prospective employers, insurance companies – look at your credit information. If they do so, you should also know what your report contains.

2. The right to an accurate and complete report. The Fair Credit Reporting Act states both creditors and credit bureaus must investigate quickly any information that you contend is inaccurate. You have the right to ask the credit agency to fix it if it is wrong. They generally have thirty days to do so.

When they find an error, they must send the correction immediately to other bureaus through an automated system.

3. The right to tell your side of the story. If a creditor or bureau disagrees with you on the information and refuses to remove it, you can write a concise statement giving your side of the story.

Affordable Business Services, a full service accounting firm, offers innovative business solutions to small and medium size companies through specializing in the training, and consulting in the use of QuickBooks business management software.

Chuck Donovan MBA brings over 20 years of financial expertise to the business having worked as a senior financial executive with firms ranging in size from \$20 million to \$3 billion in sales.

His broad, hands-on accounting and finance experience has taught him that financial information must be more than just a series of numbers.

He shows and helps business owners to use their financial information to increase their cash flows, improve their profits, and build their companies, so they can plan for a secure future.

A QuickBooks Professional Advisor and experienced problem solver, Chuck is a graduate of Dartmouth College and received his MBA from American International College.

You can then insist upon the statement being included on your credit report.

4. The right to a fresh start. Negative information must be erased from your file after seven years. A bankruptcy is removed after 10 years.

5. The right to know who has seen your information. You have the right to know when a creditor makes an unfavorable decision.

If you are turned down for credit, a job or a promotion, or have insurance rates increased due to information in your credit report, you must be told and given the name and address of the credit bureau making the report.

This also applies to your being told the full name and address of the company that asked for your report.

6. The right of confidentiality.

7. The right to sue the credit bureau.

Now A Computer Reviews Your Report

Once I got my credit report corrected, I began receiving unending solicitations from banks and other credit granting organizations offering credit cards and credit lines. I wondered why.

I found that the days are gone when your credit report was a written document that was reviewed by a human. Now all the information in your report is converted to a customized credit score by a computer

Fair, Isaac and Company (FICO), a San Rafael, California company, has developed software that creates a three-digit number by placing numerical values on different factors in your file. Through this mathematical formula a final credit score called "a FICO score" is calculated for you.

The score establishes your risk of default according to your credit history at a given point in time.

It is based on your past payment history, the amount of credit you have outstanding, the amount of credit you have available, and other factors

The components of the score are generally the following factors: (1) payment history - 35%, (2) amounts owed - 30%, (3) how established is your credit - 15%, (4) new credit - 10%, and (5) types of credit - 10%.

The score will range usually between 400 and 900. The higher it is the better it is

Generally, you are in the top 10% of the population if your credit score is over 800. You are in the middle if your score is about 710. You are in the bottom 10% if your score is below about 575.

It is important to remember, however, that every lender sets his thresholds and score - what is a bad score for one, might be a good one to another.

Equifax, Experian and TransUnion, the three major credit reporting agencies, provide these FICO scores to lenders, mortgage companies, prospective employers, insurance companies, credit bureaus, and other people offering consumer credit.

The three agencies contend that the FICO scores provide the best guide to future risk based solely on your credit file data. The higher the score, the lower the risk

The three agencies update your file continually with new information from your creditors. They calculate your score using the information in your credit file at the time when the credit score is calculated.

Your FICO score changes every time the information in your credit file changes.

Conclusion

Your credit file and its resulting credit report has evolved into a Fair, Isaac credit bureau risk score - a number with up to four "score reason codes".

Now credit decisions affecting us are being made very quickly based on a FICO score rather than on a human analyzing a written report of our credit history

We have become merely a number for credit purposes.

SOME QUICKBOOKS[®] TIPS

Continuing its annual revisions of the software, Intuit issued its newest edition QuickBooks 2002 earlier this year. The company has finally recognized that there are users with different levels of expertise and different levels of needs among their user base. It has attempted in 2002 to provide software to satisfy the requirements of each of these groups.

Therefore, the current year revision comes in several editions - Basic, Pro, Premier, and Accountant. The last three have all of the features and benefits of the Basic edition, but, as they progress up the line, add more reports and analysis and more advanced accounting features.