

Title:

Getting Credit Where Credit Is Due

Word Count:

652

Summary:

Understanding the credit process as a business can help you take control of your credit.

Keywords:

credit,report,debt,lender,investor,business,bad credit

Article Body:

What is credit? Do you really know and understand that credit is a business, and that if you are not a good business risk, you will not able to get credit? If you have ever had credit, then you understand that getting it and maintaining it are essential to your financial success.

Credit, by definition, is the extension of financial resources to you by a third party, under a contract, that dictates that you will repay the amount of the credit you use (with interest). Credit can be acquired with security or without (on your good name). Acquiring credit of itself does not create the debt. You become indebted when you actually use the credit. For example, when an investor extends credit to you in the amount of \$10,000.00 (the amount is insignificant) and you use all \$10,000.00, you have created a debt position with the investor for the \$10,000.00. However, if you only use \$1.00, you only pay back \$1.00.

There are various types of credit for different purposes. The lending agreement sets the amount of credit to be extended and the terms for repayment. It is fundamental that you comprehensively understand the terms and conditions of every contract you agree to whether it's for credit, or for some other legal matter. This is probably one of the greatest areas of misunderstanding for consumers and corporations alike.

On the other hand, you can use credit to prove yourself financially trustworthy. Credit is an industry unto itself, and you have to realize that if you manage credit well, you will get more of it. The more you demonstrate that you are able to adhere to and execute the terms of the contract, the more exposure the investor will be willing to take with you. Essentially, it's comparable to

gambling. The investor basically stakes (based on certain calculated risk factors) how much you will be able repay. To the investor, this "gamble" is considered an investment. Why? Because the amount of the original advance will be repaid with interest. Investors loan you money and you pay them to do it.

A very simple definition for interest is this: Interest is money made by the lender on money they loaned to you. For example, if you borrow \$100,000.00 and have to pay back \$110,000.00 according to the terms of the contract, you are paying \$10,000.00 in interest. The investor, whether private party, corporation or bank, made \$10,000.00 on that deal.

The most important thing you can do for yourself in order to build and maintain an excellent credit record is to learn what investor's look for in potential "investments". Lenders do not look at you as a human being. When you consider purchasing anything on credit, including houses and cars, you have to understand that your life is literally reduced to numbers. This is the sad truth about how the credit reporting system works. The system is not designed to serve you as the person needing the loan. The system is designed to protect the investors who lend the money. It is a business and the business has nothing to do with you. It is not subjective which is human nature, it is relentlessly objective. Every dollar of credit extended has to be paid back with interest in order the business to make sense. In order to master the system, it is necessary that you educate yourself what lenders (investors) look for, and become strong in those areas. Credit is not personal, it's business.

Do not ever let anyone judge you as a person based on your credit report. You are not defined by your credit. Credit is a financial tool, not a relationship-building tool. If you intentionally abuse the credit system, that's one thing. But, if you simply do not understand the system or, have just had various circumstances beyond your control knock you out of the game, don't be discouraged. Educate yourself, master the system, and get back in the game.