

**Top Seven Things  
Servicemembers Do To RUIN  
Their Credit (And What They  
Can Do To Prevent It).**

**By Peter G. Bielagus “The Go To Guy For Young  
People and Their Money.”**

**[www.peterbspeaks.com](http://www.peterbspeaks.com)**

## Top Seven Things Servicemembers Do To RUIN Their Credit:

### 1. Hiding from their report:

I deliver close to thirty presentations for the military every year. After speaking to servicemembers about the importance of credit, a common response is, “mine is so bad, there would be no point in checking”.

What many servicemembers fail to realize is that often mistakes on a credit report are *not* the fault of servicemembers themselves. People can have outright errors, be victims of irregular billing, or even third party responsibility (such as an insurance claim that should have been paid but wasn’t).

Indeed many servicemembers who have bad credit are 100% responsible. But even fixing one inaccuracy can drastically boost a score. And while it may not skyrocket to the land of A+ credit, it gives an immediate sense of accomplishment and fuels a desire to keep going.

**Action:** Check ALL three of your credit reports at least once a year (for free) at [www.annualcreditreport.com](http://www.annualcreditreport.com).

### 2. Hiding from creditors and collection agents:

Many people believe that collection agents give up if you simply don’t answer the phone. Truth be told, some do. But plenty of collection agents are working to get their money from you even if your phone has long stopped ringing.

A collection agent has only two bullets he or she can pull against you. One, they can ruin your credit. If your phone has been ringing for more than 90 days they certainly have done that. The other bullet is that they can take you to court. With a court order, they may be able to garnish your wages or money you have in the bank. A silent phone doesn’t mean they are not still trying to get their day in court.

If they are successful, judges get pretty mad at anyone who simply “ignores” a collection agent. The courts are supposed to be used as a tool of last resort for *both* the borrower and creditor. On your court day, it will help you greatly if you can prove (in writing) that you have made every attempt to negotiate with the collection agent. Courts are much more sympathetic to a person who has tried to work it out rather than someone who simply unplugged the phone and hoped the problem would go away.

**Action:** If you are being hounded by a creditor, make every attempt to work it out. Only promise what you can deliver and only communicate in writing. Your on base financial counselor can help.

### 3. Believing that certain debts– such as medical– do not show up on your credit report.

The simple fact is this: *any* debt can show up on your credit report if the creditor is willing to fill out the necessary paperwork (or use a third party to do it for them). Yep, that's right. If your mom loans you 100 bucks and you don't pay her, she can ruin your credit if she wants!

The most common myth has to do with medical debts. People believed hospitals couldn't report medical debt because it would be an invasion of privacy. To some extent that is true. A hospital is not allowed to report that fact that you owe \$50,000 for a heart operation. But they are allowed to report that you owe \$50,000 for medical services to XYZ hospital. As long as they are not specific, they can report it.

**Action:** If you owe a debt, take active steps to find out how to get it paid down. Being silent won't help.

#### **4. Trusting a credit repair firm.**

Servicemembers often ask me, "If credit repair firms are so bad, how come my friend Bill used one and got his credit cleaned up?" Indeed it is a puzzling question. Financial authors and experts slam credit repair firms, yet everyone seems to know *someone* who had a positive experience from them.

Seriously, do they work? And if they *don't*, how did it work for my friend?

Credit repair came onto the scene several years ago. While credit reports have been around since the late 1800s and credit scores since the 1950s, individuals did not have access to their *own* reports until the year 2000, when the mortgage company E Loan started giving reports to their customers (a common practice now but a groundbreaking move at the time). As people began to see their own credit reports for the first time, they began to see the mistakes littered about them. And poof, credit repair firms appeared to assist with the corrections.

The funny thing is they *used* to work a lot better than they do now. When people began to get a glimpse of their own reports, credit bureaus were flooded with complaints. Often those complaints were submitted by credit repair firms. This inundation caused the credit bureaus to throw up their hands and simply remove bad marks (even the accurate ones) because they simply could not keep

up with the paperwork. So back in the day many people had a fair amount of success with credit repair firms.

But the credit bureaus got pretty efficient, pretty quickly. What's more, legislation has now been passed to make it illegal to dispute something you *know* to be accurate.

The sneakiest trick of all is still in practice. Often a credit repair firm will charge say \$1,000, but they *guarantee* to raise your score 100 points or your money back. How can you lose? So you pay them and sure enough within thirty days they clean everything off your credit report and your score skyrockets. Their work is now done and you're happy. Right?

Wrong!

What they don't tell you is that credit bureaus often remove stuff immediately *for investigation purposes only*. By removing stuff from your report they buy time to do a thorough investigation. But it often appears as if the items have been removed forever. A few months later, the items are back on your report but by then you have already given your money to the credit repair firm.

**Action:** *Anyone* can repair their own credit. It just takes time and organization. Don't pay someone else to do a lousy (and possibly illegal) job when you can do a good one yourself for free!

## **5. Not getting the free help on base.**

A credit counselor typically costs between \$150-\$350 per *hour*. They are often well worth it for civilians, but servicemembers have unlimited access to a *free* credit counselor! Still many members of the armed services choose to use outside help (and pay for it) because they fear being labeled as financially unsecure. By going off base, servicemembers not only pay more but they risk doing business with an unscrupulous firm.

It is crucial for those serving in the military to realize that the financial savvy folks are the ones who are visiting their base financial counselor. It's a free valuable service that costs a small fortune in the civilian world.

## **6. Not taking simple steps to protect themselves from identity theft**

The fastest growing crime in the world is identity theft, which is the illegal act of impersonating someone else for financial gain. Contrary to popular belief, people are most vulnerable to identity theft in the physical world, not online. Unlocked mailboxes are one of the most common ways ID criminals attack you.

Protecting yourself from identity theft needn't involve costly monthly monitoring services. Here are a few simple things you can do right away to keep your information safe.

### **Action:**

- Write the words "Check ID" on the back AND front of all your credit and debit cards. Even if the merchant doesn't check your ID an identity criminal will get scared away if he sees this simple step has already been taken.
- Set up automatic emails with your bank and credit card. We're often told not to give out our personal information. But when you are at a restaurant, you give your credit card to the waiter and he walks away with it for 5 minutes! How do you protect yourself? Simply arrange to have your bank email you when a charge is made. That way you can be sure it is your charge. Most banks offer this for free. If they don't, switch banks.
- Get a locked mailbox.
- Go to [www.optoutprescreen.com](http://www.optoutprescreen.com) to stop those preapproved credit cards offers from coming to your doorstep. This website is like the "Do Not Call List" for credit card companies.
- Read over all your bank and credit card statements every month.
- And of course, check your credit report at [www.annualcreditreport.com](http://www.annualcreditreport.com) every year.

## **7. Not knowing your significant other's credit history**

The number one cause for divorce in America is due to money management disagreements. While couples often know what their significant other earns, credit history usually comes as a big surprise when it comes time to buy that first car, first home, or even upgrade to a nicer apartment. Often

one person in the relationship has great credit, while the other one doesn't, causing a lot of tension. Financial goals are impeded because of this person's credit history which leads to arguments and accusations.

This is not to say you should only seek relationships with people who have great credit. It simply means that you have to know a lot of stuff about your significant other and credit history is one of them. If you are smitten with someone who has a disastrous report, that's okay. Talk about how you are going to work *together* to improve their score.

*Peter Bielagus is a former financial advisor who now travels the world giving speeches to servicemembers. He can be reached at [peterbielagus@gmail.com](mailto:peterbielagus@gmail.com).*