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HUMAN RESOURCES & PAYROLL

Laughing All the Way to the Bank

Dave McClure • Aug. 28, 2013

From the [Bleeding Edge Blog](#).

Here's a memo to my friends in the financial services industry: I could care less what my credit score is.

I don't lay awake sweating over whether I will be approved for a loan. I don't worry about how expensive a car I can buy on credit. I don't even care what my credit score is. Because it is all a gigantic hoax designed to force consumers to pay more in interest than the current rate.

Here's Credit Score 101:

- The interest rate you pay for a loan is supposed to in some way reflect the amount of risk the lending institution takes in making the loan. That may have been true when interest rates were in the double digits, but it is not true today. Your credit score is a number made up of fairy dust and greed.
- Your credit score has little or nothing to do with whether you repay the loan. It has to do with who you friend on Facebook (have the wrong friends, get a worse score); your appearance (long hair on men, tattoos, or other body art will get you a worse score). Use your credit card to get cash, rather than buy products (which reduces the fee the credit card companies receive from the vendor) and your score goes south.
- Even if you have a perfect payment record, your score will go up if you are divorced, have moved within the last two years, or are otherwise "suspect."

So what is the credit score really about? In a time when interest rates are hovering around nothing, the financial institutions can't make money making loans. Consumers still want loans, so someone has to write the agreements. But they hedge their bets by labeling most of us poor credit risks.

"I can write this loan agreement, Mr. Smith, but not at the zero percent interest rate we advertise. No, you have a bad credit score, so I will have to charge you 24 percent annual interest."

They used to call this usury, and bankers were tarred and feathered for doing it.

You can fight back, as I do. I have been lucky enough to live a long life, and did well with a few investments. I therefore own my home now, free and clear. And my truck. And a few toys. I take vacations every year – which are prepaid so I do not have to sweat the cost or take out a loan.

Honest admission: I have a couple of business loans that I am paying off. Not because I have to, but because I respect the people who gave me the service and were stuck when the business closed. Not my fault, but also not theirs, so I pay them. I was always taught that a business should carry some debt for tax purposes, but would love to hear a tax professional defend that stance today.

Personally, I buy everything with cash, and if I don't have the cash, I do not buy it. If it is important enough that I want it sooner, I save more. Or put it at the top of the list. I do not borrow money I can't repay within 30 days, even from friends. And I have stopped making stupid buying decisions, with the exception of the Honda Shadow motorcycle I just bought (and will pay off in less than 20 days). I didn't get rid of all my impulsive buys, I just put them in order and pay for them in cash.

I keep a credit card with a reasonable limit for emergencies and to rent cars and hotel rooms, but I pay it off every month.

I am not the only person who is moving to this debt-free and credit-score ambivalent mindset. If you listen to financial guru Dave Ramsey (www.daveramsey.com), you will hear the rhyme and reason of financial responsibility and living debt free. I don't agree with everything he advocates, but I do agree with about 88 percent of it. I didn't use his plan to settle my life, because I was already well on my way out of debt when I learned of him. But his system works, and you should take a hard look at it.

So I do not pay any site for credit reports. I could care less what my report says, what phony score they assign to me, or what they think of me. I have been looked down

upon by far better people than they are. As for my bank account, I monitor it online every day so I can tell immediately if there is something going on. And keep as little money in my bank account as I can.

The bottom line is this: if you work, you can become debt free much faster than you believe possible. And have the life you want without ever going into debt again. And you will feel much better for doing so.

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