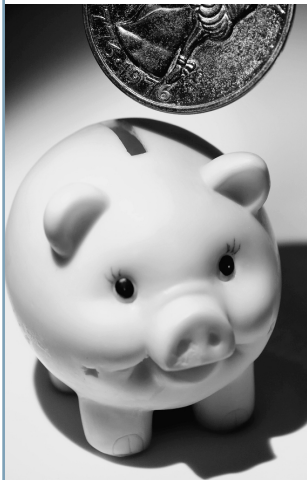




NEWSLETTER

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CREDIT SCORE NEED A BOOST?

- DAYANA YOCHIM

Dear Dayana,

I had property and recently sold it. I thought after doing so my credit score would get a real boost, but it really didn't move. I made some money from the sale and would like to increase my credit score by taking out a secured loan with some of the profit that is currently sitting in the bank. My idea is to take out such a loan and then repay it right after the lending institution reports it to the credit bureau(s). Do you think this is sound?

— Need a Boost

Dear Booster,

Are you planning to enter a loan situation in the near future, where your credit record will be scrutinized? If so, there may be a better way to improve your credit score.

I rarely recommend that Fools take out a loan or spend any money to improve their

score, even if they are going to pay it back right away. The only time it really makes sense is if someone has such a thin credit file that there are no entries to go on.

Your first stop for your credit makeover is to double-check everyone's work. You'd be surprised how much a simple cleanup can improve the looks of your file. According to [statistics](#), anywhere from 30% to 80% of credit reports contain blunders. The gaffes can be anything from errors of omission (not reporting a current line of credit) to out-of-date information (saying you still live at an old address) to outright inaccuracies (claiming you have a loan for which you never applied). The key is to make sure there's no real reason for a lender to snub your advances.

Start at annualcreditreport.com — everyone in the nation is entitled to a free credit report each year from the three major reporting agencies.

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WHY LOWER MONTHLY PAYMENTS CAN BENEFIT YOU IN THE LONG RUN

WHY LOWER MONTHLY PAYMENTS CAN BENEFIT YOU IN THE LONG RUN

Student loan consolidation is more beneficial than you might think. First of all, you will get a fixed rate and protect your loans from rate changes that can go as high as 8.25% on federal student loans. You'll have one lender and one monthly payment, streamlining your repayment obligations and giving you less of a headache. You'll also be able to extend your loan up to 30 years, which in effect will dramatically lower your monthly payment and save you hundreds of dollars each month. But the benefits of student loan consolidation continue. Have you ever thought about what you can do with all that money you'll be saving each month? Why not save and invest it? Rather than spending that extra money each month, make that extra money work for you. Below you will find just some of the ways you can put that extra

money to good use.

EMERGENCY FUND

The money you save each month should first go into an emergency fund. Job loss, a natural disaster, an injury, or any other life crisis requires cold hard cash. Unexpected emergencies can be expensive and, if you are unprepared, can be detrimental to your financial plans. The money in your emergency fund should only be available when there is no other way to pay for something that is a necessity. You should save enough cash to cover three to six months of expenses. Your emergency fund should be kept separate from other investments or savings. Most important, an emergency fund must be available at a moment's notice, so think liquidity and safety. And remember, your emergency fund should only be used for real emergencies!

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Although the market for student loan services is extremely broad, our company has chosen to focus on one elite niche: We cater to the particular needs of law students and graduates. On average, a juris doctorate student will have around \$100,000 in student loans by the time he or she graduates - a much larger amount than many other kinds of graduate students. A J.D. will also often have questions that only someone with a legal background would think to ask. Established and run by attorneys, Law School Loans is prepared to fulfill the needs of law school graduates at every level. We invite you to visit us at www.LawSchoolLoans.com.



NEWSLETTER

Why lower monthly payment Continued from page 1

BANK AND CREDIT UNION SAVINGS ACCOUNTS

While a savings account has a low interest rate, it is your safest bet, as the federal government insures savings accounts and certificates of deposit. The drawback is your money will grow slowly. Nevertheless, bank and credit union savings accounts are good places to store your emergency fund because they are liquid accounts and you can access the funds quickly. You can also use these types of accounts for short-term goals, such as money for a vacation or a down payment for a car.

MUTUAL FUNDS

A mutual fund pools your money with that of other investors to buy shares of stocks and/or bonds of many different companies. If the stock market goes down, the value of the mutual fund also may go down. On the flip side, your mutual fund will earn money when the stock market goes up. Mutual funds are not insured by the federal government; thus, this type of savings

Credit Score Need A Boost? Continued from page 1

Take the time to beautify your credit file by making sure the details it contains are accurate. That includes checking to see if good notations (such as current accounts in good standing) are being reported to all three credit reporting agencies — Equifax ([NYSE: EFX](#)), Experian, and TransUnion . Catching and fixing the most common boo-boos doesn't have to be complicated. (Here are [some pointers](#).)

The problem with the scoring system, however, is that often it is incomplete. For example, many lenders do not report credit limits because they don't want competitors poaching good customers. However, credit limits can help boost a person's score, because they show a customer's creditworthiness. You can't force a lender to report this, but you can at least ask.

There's also a lot that you'd assume the credit reporting bureaus would know about you. Your income, for example, isn't reported. The only time it does appear on the document is when you or your lender adds it — and lenders rarely do. (Here's a quick [credit report anatomy lesson](#).) Therefore, income becomes an unreliable (and possibly out-of-date) data point.

The sale of your house probably didn't move your credit score because the only notation that event generates deals with how mortgage payment was

does have its risks. However, mutual funds have higher return rates than regular savings accounts; so you will make more in a shorter amount of time. Mutual funds are a good way to save up for a college fund for your kids, for example.

INDIVIDUAL STOCKS AND BONDS

Stocks and bonds are higher risk investments, but also yield higher profits. When you buy a stock, you become part-owner of a company. Your investment will rise or fall according to how well the company does. Companies distribute a portion of their profits to shareholders as dividends. When you own a bond, you have made a loan to a company or government unit. In return, the borrower will pay back the principal borrowed plus interest. If you are thinking about this type of investment, it is best to seek out the help of a financial advisor before committing your money to one venture or another.

Student loan consolidation is the first step towards a secure and prosperous financial future. Use the money you save each month on your loan payments to save and invest.

satisfied. The sale price (and your salary, for that matter) has no bearing on your credit score.

In more comprehensive reports, given to corporate customers, such financial moves are weighed differently. But that's not the credit report and score that you see. Lenders and insurance companies rely on different models, explained in more detail in [this story](#).

In the end, the key to improved credit isn't sexy. The passage of time and the responsible use of credit during those years are your best bets for building your score.

More credit tips:

[Credit Scores Age Like Vintage Bordeaux](#)
[Six Tips for a Clean Credit Record](#)
[The Real Impact of Late Payments](#)
[Beauty Secrets of Credit Score Stars](#)
[What's a "Good" FICO Score?](#)

[Dayana Yochim](#) owns none of the companies mentioned in this article in her portfolio. If you want the real dirt, she and a handful of her Foolish colleagues recently 'fessed up to [their biggest financial blunders of '05](#).

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