The American Dream

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Once upon a time I remember the day my family and I were able to move out of the projects and into a house for the first time, I was twelve. Forty years ago we finally had a place we could call our own. We lived in a nice neighborhood and I felt secure and I knew right then that when I grew up I wanted my wife and kids to feel the same pride I was feeling at that very moment.

Studies show home ownership helps fulfill our pledge to "Love Thy Neighbor". Home ownership in counties and neighborhoods show family unity with others, property taxes help pay for schools and road repairs. Homeowner's participate in school activities and community functions. Home ownership gives us a sense of pride and accomplishment. Why has home ownership become so difficult?

We have all heard, "history repeats itself" but we haven't taken the time to search for solutions to current issues, instead potential home buyers have given up to the idea they can ever own a home, and the sales agents and finance agents haven't taken the time to utilize all resources to assist and show the home buyer that with the proper knowledge and hard work they can achieve anything. The positive side is that if you are reading this article you are still in business so you have the opportunity to change things. I am going to share some information with you with hopes it will help turn things around.

Let me take you back to when the first bank was established in America. The First Bank's charter was drafted in 1791 by congress. The government had so much debt from the Revolutionary War, each state had its own currency and some states were going bankrupt. The bank was created to handle the financial needs and requirements of the central government, the newly formed United States, which had previously been thirteen individual colonies with their own banks, currencies, financial institutions, and policies.

The concept for the bank had support from the Northern State merchants and some Northern State governments. On the other hand, representatives from the Southern States, whose top industry was agriculture didn't require centrally located banks and they soon became suspicious of Northern motives. The charter expired twenty years later in 1811 and failed to be re- charted. Congress voted against it 65 to 64.

President Madison reviewed the charter in 1816 establishing the Second Bank of the United States. Many of the congressmen who charted the Second bank voted not to renew the charter of the First Bank. The United States was experiencing inflation again and had trouble financing military operations from the War of 1812. The credit and borrowing status of the United States were at their lowest levels since its founding. The United States also experienced an economic boom after the war even with so much debt. This occurred because Europe's agricultural sector collapsed and the U. S. began expanding theirs. This was done by lending, almost anyone was allowed to borrow money to buy land. Although land pricing costs doubled and tripled, the land sales in 1819 alone totaled more than 55 million acres. During this economic boom hardly anyone noticed the widespread fraud that was going on at the Bank and the price gauging that was happening. The Second Bank was also charted for twenty years and ironically it was not renewed either. The bank did last another 5 years as an ordinary bank before eventually going bankrupt in 1841.

Twenty one years later the Homestead Act of 1862 was established. Any U. S. citizen or intended citizen who never borne arms against the U. S. Government could file an application and lay claim to 160 acres of surveyed government land. For the next 5 years the homesteader had to live on the land and improve it by building a 12 by 14 dwelling and growing crops. After 5 years, the homesteader could file a patent (deed) by submitting proof of residency and required improvements to a local land office.

By 1934, over 1. 6 million homestead applications were processed and more than 270 million acres – 10 percent of all U. S. land passed onto individuals. The Government wanted to put a stop to the claims by establishing the passage of the Federal Land Policy and Management Act of 1976. This Act repealed the Homestead Act in 48 states but did grant a ten year extension on claims in Alaska.

Even during the Governments banking fiascos, credit was being established back in the late 1800's. Consumers and merchants exchanged goods by using credit coins, they were believed to be issued around 1865. In the beginning they were made from celluloid, which was an early form of plastic. Later they were made from copper, aluminum, steel, or white metal which is when they became known as charge coins. These credit pieces were mainly issued by department stores and usually displayed the customer's identification number an image connected with the merchant. Consumers and merchants also used charge plates which soon became credit cards. The plates were the size of a dog tag made from aluminum or white metal. The customer's name and address was embossed on one side and issuer's name and cardholder's signature was on the other side.

In the early 1900's oil companies and department stores issued credit cards on a limited basis to create customer loyalty. The first bank card was introduced by a banker, John Biggins in 1946. When the consumer used the card for a purchase the bill was forwarded to Biggins bank. The bank would pay the merchant and obtain payment from the customer. Purchases could only be made locally and they had to have an account at Biggins Bank. Five years later the first bank card was issued for loan customers at New York's Franklin Bank.

Diner's Club began establishing credit in 1950 and by 1951 there were over 20, 000 cardholders. In 1959 American Express introduced the first credit card made of plastic. Within the first five years there were about one million cards being used at about 85, 000 establishments both in and out of the U. S.

In 1959 the option of maintaining a revolving balance was introduced. While this carried the risk of accumulating finance charges, the consumer no longer had to pay the balance in full at the end of each cycle and it gave them more flexibility in managing their money and credit.

By 1966 credit card processing had evolved and Visa and MasterCard developed rules and procedures for handling paper flow in order to reduce fraud and misuse of cards. It wasn't until 1987 that American Express allowed consumers to pay over time rather than at the end of each month.

During the establishment of credit card issuers, the Fair Isaac Corporation, known as FICO created the first credit scoring system in 1958 for American Investments and the first credit scoring system for a bank card in 1970 for American Bank and Trust. Fair Isaac created the first scoring system for credit reporting agencies in 1981, and launched the first general- purpose FICO score in 1989.

Credit score modules are used to determine the risk a creditor has establishing credit to a consumer, it's based on a statistical analysis, numerical data, or a person's credit report from the three major credit bureaus, Equifax, Transunion, and Experian. The problem with accurate credit scoring is that studies show 79% of all credit reports contain mistakes, 54% of all credit reports contain personal information that is long outdated, belongs to a stranger, or is otherwise incorrect, 30% of all credit reports contain accounts that are closed by the consumer but still continue to be reported as open and 25% of all credit reports contain errors serious enough to result in the outright denial of credit. Unless you know where most errors occur on a credit tradeline, the point deductions either by leaving the tradeline alone or taking some action to correct the mistake it's really hard to manage your credit and credit score.

In 1971 the Federal trade Commission enacted the Fair Credit Reporting Act. The Act was created for consumers to keep track the information the major credit reporting agencies are sharing with authorized third parties. Section 611 of the Fair Credit Reporting Act entitles each and everyone a complete accurate credit report from all the credit reporting agencies.

In 2002, Crednology Inc. created the first online credit management company that gives the consumer the ability to manage their credit file online 24/7. In 2004, Crednology Inc. developed software to indentify where most errors occur on each tradeline so tradelines can be updated properly with the three major credit bureaus. In 2006, Crednology Inc. developed point deduction technology to determine the average point deduction number per tradeline per credit bureau. In 2010, Crednology Inc. developed a score simulator that consumers can interact with so they can determine which accounts will allow them to increase their credit scores higher with the least resistance.

With this brief history of the banking system, credit issuing, credit scoring, credit reporting, and credit technology it's easy to see a pattern and know that our government will continue to control our banking industry and the ability for people to become homebuyers. Interest rates have dropped which looks good, but credit score criteria has increased, and lending has stricken because previous loans were mismanaged. Congress is setting the rules once again and it will be up to us like the ones before us who worked together to put families in their own houses.

Encourage yourself, your staff, and your buyer to explore every avenue it will take to establish, re-establish, and maintain a high credit rating. Managing your credit will help with positive results, instead of giving up, work harder, it's the American way.

Once upon a time, not long ago, people had dreams of growing up, having a family, and owning their own home. Here in America we even created a title, calling it the "American Dream".