



How to

Improve your credit score

and buy a home



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Most of us long to own a home. We see this idealized place as our shelter in bad times. We love the thought of being able to decorate from top to bottom our unique specifications. Unfortunately, for many of us, buying a home is a difficult prospect because of one



major drawback: a poor credit history. Bad credit almost always creates complications when trying to purchase something as big as a home.

That three-digit credit score and our credit report can make the difference between being granted a home loan and being rejected out of hand. Why? Because our credit report tells a financial story of us as payers of debt, and it has a long memory. Few people manage to go along forever without making a single financial mistake, and the fact is that many times, those people who pay cash for everything, end up with a lower credit score than those of us who juggle debt.

The worse your credit report is, the harder it will be to acquire a home loan. That is why it is imperative, before you go house shopping and long before you need to move, to study your credit report and clean it up as much as you possibly can. In several months to a year's time, you can improve your credit report and raise your credit score. Then you will have a much better chance of moving into your own home at a competitive interest rate.

Here We Go...

My Top 5 Tips to Improve Your Credit Score

1.

Get Your Hands On Your Credit Report

If you don't have a current one, get your credit report now. You need to be aware that problems exist before you can solve them – and serious issues, and sometimes even minor ones, can take months to repair.

There are a variety of ways to get your report, and you're entitled to a free one from each of the three credit bureaus once a year under the FACT Act; just go to Annual Credit Report website to retrieve it.



2.

Mistakes Happen - Get Them Fixed

Every year, a whopping 25% of people who get declined for a mortgage had errors in their credit report. (And by "errors," I mean inaccuracies).

When you spot them, it's up to you to fix them. You can find step-by-step guides on how to file a claim on any of the credit bureau websites; your report itself will also have instructions. Follow them to a T, and keep a good record of your dispute, including copies of any documents you file with the bureaus. Once you make an initial claim, you should get a response within thirty to sixty days.

STOP! Homework Time

- Pull your credit report from the annual credit report site.
- Verify all information on report is current and accurate.
- If information is inaccurate, report to credit bureaus.



3.

Pay down your balances like a ninja
Paying down your debt is the thing you can do that could have the biggest—and fastest—impact on your credit.

Credit utilization (or the amount you can borrow versus the amount of debt you're carrying- also known as DTI) accounts for 30% of your credit score. And the more available credit you have, the better.

The easiest way to optimize your utilization is to use a credit card and pay your balance down to 1% of your credit limit right before your bank reports to the credit bureaus. You want to have positive utilization so it's clear you are using the card, but otherwise want to be as low as possible.

Not sure when your creditor reports? You could call them up and ask, or you can check your credit report.



4.

Get your bills current

You hopefully already know that you have to pay your bills on time to get a good score. If you're already late on a payment, pay that puppy ASAP for a quick credit boost.

"Because paying bills on time is the most important factor in a credit score, going from paying one or more bills late each month to paying all on time could show an improvement in one to two months," says Kevin Gallegos, vice president of Phoenix operations for Freedom Financial Network. Bonus: If you're less than 30 days late and you can make the payment today, do it! Creditors don't typically report until after the 30-day mark.

Establish a Good Relationship With a Lender

Having a good relationship with the bank where you intend to apply for a mortgage will also help you secure a good interest rate. If the bank sees that you have a history of paying back debt with them, she says, they're more likely to give you a good deal.



5.

Having a relationship or being a longtime customer can really prove that you've been around for a while, you've used their services and you're a great customer but then, also, you'll be able to ask questions, and they can trust you, you can trust them.

STOP! Homework Time

- Create a written plan to quickly pay off your debt.
- If any bills are past due, pay them in full immediately.
- Start interviewing banks and lenders!

Bonus Tips

Buying A Car Can Put A Dent In Your Credit Score – It's best to avoid any big changes your finances right before a home purchase. That means no big purchases on credit, like buying a car or charging an expensive vacation. Any significant buys can alter your financial picture, and banks don't like to see sudden changes just before approving a loan.

Plan Waaay Ahead – If you think you can get your credit spruced up and ready to go in a matter of days, think again. Even without any dings on your report, you'll want to make sure all your credit cards are paid up prior to qualifying for a loan, and that requires planning. Get ahead of the game by paying down your debt, then try and lock up your credit cards until your credit score has been checked and you have been approved for your mortgage.



As always,
please don't hesitate to reach out if you
have any questions. If I can't answer your
question for you, I will be happy to help
you find the person who can.

Amanda



