

# Know the Score

## How to Increase Your Credit Score

*Credit scoring has an enormous impact on your ability to borrow money. It can mean the difference between getting a good interest rate on your mortgage loan, or whether you even qualify at all. As a potential or current homeowner, it is imperative to be well-versed on the factors that influence your credit score, and have the ability to take simple, yet very important steps to clean up your credit, or work to get on the right path to obtaining the best rates when you borrow at some point in the future.*

### Dealing With Challenges

Typically, a person with a bad credit score is in this position because of lack of planning. There are, of course, cases where health has been a factor, or perhaps there has been a layoff or fluctuation in employment, but for the most part, it comes down to the discipline to pay bills on time or curb spending. Regardless of the situation or the reasons behind it, you can improve your position. Your score is not permanent – you do have the opportunity to get back on the right track!

*How can you improve less than perfect credit scores?*

Alter the ratio of debt to available credit on credit cards. (See Case Study)

Conversely, do not close any existing credit card accounts, even if you are at a zero balance. Some people think they are doing themselves a favor by having fewer cards, and they lose out on the credit history factor. Even if you do not have a good rate on those old credit cards, you are rewarded for having the long-term credit history.

These are just a few examples of what you can do while you are in the loan process. If you are disappointed by the fact that you cannot get the A-paper loan up front, you can get help from lending experts who can monitor rates and your specific loan scenario on an ongoing basis and advise you when you will have the opportunity to turn this situation around. The new mortgage debt will temporarily drop the score, but once the first payment registers as "paid," the score will begin to go up again.

#### Case Study:

*Suppose you have a credit score of 664, and want to raise it to 680. You have a concentration of credit card debt on one card: \$17,000 on a card with a \$20,000 limit. At the same time, you have four or five additional credit cards, all with a zero balance.*

*If you distribute the debt over the cards that are available to work with, this changes the ratio of debt to available credit, and can cause the credit score to rise into the 680-699 category of having good credit. Also take into consideration the percentage that each of the five factors considered in score calculation represents on the resulting credit score.*

*Suppose you are at your credit limits (the maximum debt allowance on all cards, combined) of \$20,000. Try to get two new cards, each with a \$5,000 limit, and once again, spread the debt out over the cards leaving a 30 percent margin of available credit on all the cards.*

*Yes, this will affect the factor of credit history, but this specific factor only affects the overall score by 15 percent. The big difference once again, is the resulting impact on the credit balance factor, which has a 30 percent influence on the overall score and can cause the overall score calculation to improve.*

## Credit Rescoring

You also may have mistakes on your credit report. You can send information in writing to the credit agencies proving that the report is in error. The agencies have up to 30 days to respond. During the loan process, this may not be fast enough. Reputable lenders, such as goodmortgage.com, have rapid credit rescoring available to clients. The process takes only 3 business days to correct your score. Ask your loan specialist for details.

## Tips for Increasing Credit Scores

- Do you have past due balances that have been neglected? If they are showing up on your credit report and you want to purchase a home, you need to make sure the balances in question are brought up to current status in all situations possible.
- Do you have outstanding debt that you can afford to pay off right now? You should try to get these accounts down to a zero balance, or at least a lower balance. If cash on hand doesn't allow this, you can try to distribute the debt among other open credit cards. You can also consider opening a new line of credit and transferring part of the balance off a card that is close to being "maxed out." If you can get the resulting balances below 50% of the available credit, you are on the road to improving their credit score considerably in most cases.
- You should not close existing credit card accounts, even if you don't want to deal with the company any more... Believe it or not, the credit history is a good thing to have!
- When married couples keep separate credit card accounts, some or all of the balances can be transferred to one spouse's list of accounts. This gives the other spouse an opportunity to increase their credit score and designate him or herself as the sole borrower on the mortgage loan. Ownership of the home can remain in both names.
- See if your credit providers will increase your available lines of credit. This can, in turn, increase the overall available debt ratio, and increasing your score.
- Do you have past dues and charge-offs within the last two years? They should be paid off now, if possible! Past dues older than two years will have little to no impact on credit score if they are paid, but can possibly bring the score down, if they aren't paid. Focus on that 2-year time frame.
- Do you see errors in your report? You should request the credit bureau delete any outstanding debt that is incorrectly charged to them, or things that should have been removed that have been paid. The credit bureau has an obligation to reconcile this within 30 days. If you see items on your report that are less than two years old and you have the money to pay it off now, mark the back of the payment check with the following notation: "Accepting this check is evidence that the transaction is complete and this charge will be deleted from my credit record." If necessary, this cancelled check can be used as proof of the transaction in the event the outstanding debt is not removed promptly and interferes with the closing of your loan.

## Need Additional Information?

Please email us at [customerservice@goodmortgage.com](mailto:customerservice@goodmortgage.com) or call us Toll Free at 877-523-3886.