

Your FICO Score

Scoring Your Credit - How's Your FICO?

Choosing a lender isn't the first step in becoming a homeowner. *The quality of your wallet starts the home buying process.* Without a reasonable FICO score, purchasing a house is more difficult and, you could end up renting longer than you expected in Plainfield until your score improves.

The Fair Isaac Company calculates your FICO score on the summary of your total credit history. Most people usually have a score of 650, but scores range from 300 to 850. In recent years, however, some borrowers have seen their score drop by hundreds of points as a result of loss of employment, delinquent credit card accounts, or credit card accounts terminated because the card didn't carry a high balance. Some of the factors in determining your FICO score include:

- Credit to Debt Ratio — How much do you owe versus your available credit?
- Credit Inquiries — Do you have too many open accounts?
- Types of Credit — Do you have a healthy mix of loans and credit cards?
- Payment History — Do you pay your bills on time ?

In reviewing your credit history, you'll see that you actually have three reports. Experian, Equifax and TransUnion — three of the major credit reporting agencies — use a slightly different models to calculate your credit rating. FICO is used by Experian. Equifax's model is called BEACON and TransUnion uses EMPIRICA. This means you have three scores, one for each bureau.

When you apply for a mortgage or any other loan, lenders want to make sure that extending a loan to you isn't a risk. Your FICO score gives lenders a view of what type of borrower you'd be based solely on your credit history. Because of the shift in the economy, most home buyers should have scores in the range of 740 or higher to get an acceptable interest rate. You can qualify for a mortgage with a lower score, but the interest paid over time could be more than double that of someone with a superior FICO score.

I'm used to working with all tiers of FICO scores. Call me at 317-536-7325 and I can help you get on the right track to the home of your dreams.

You want an improved score, but how do you get there? Improving your FICO score takes time. It can be hard to make a large-scale change in your number with small changes, but your score can improve in a few years by monitoring your credit report and by using credit extended to you to raise your score, instead of ruin it. The best way to do this is to know your FICO score. You'll improve your credit score by using these tips:

- **Don't let your cards get dusty.** Whether you have older cards, or are just getting started with credit, use your cards so that your accounts maintain an active status. But, pay them off in one or two payments.
- **Pay on time.** Late payments kill your credit history. It's one of the reasons people who have recently experienced job loss see the biggest hit in their credit score. Yes, it takes longer to rebuild your credit with payment history, but it's the most reliable way to show that you're responsible enough to make payments to a lender.
- **Correct your credit report.** If you find incorrect items on your credit report, write to the bureau asking that the item be removed. If you have a common name or the same name as a family member, you'll want to give extra care to make sure the activity reported is correct.
- **Even out your debt.** At first, this doesn't seem like a good idea. But, you want to avoid having one card that is maxed out and have the rest of your cards at a zero balance. It's better to have each of your cards at a lower balance than to have the bulk of your debt taking up the balance one card.
- **Retail cards and service station cards.** For those who have non-existent credit or below average credit, department store credit cards and gas credit cards are ways to improve credit, increase your credit limits and have a solid payment history, which will raise your FICO score. You must always avoid carrying a large balance for more than a couple of months because these types of cards more than likely have a surprisingly high interest rate.

Now that you're more informed about credit reporting, you'll be able to successfully take the first step in owning a home, and that is improving your FICO score. Remember that when it's time to apply for a loan to purchase a house, you'll want to keep your credit inquiries within a two-week window to avoid a negative mark on your credit score. With the help of Homes By Cheryl, the loan application process can be a stress-free experience so you, too, can achieve home ownership.

Get more information by visiting www.myFICO.com, Fair Isaac's informational site and once per year, for free, you can review all three of your credit reports at www.annualcreditreport.com. And, for a small payment, you can get your FICO score from each bureau on their websites: www.equifax.com, www.experian.com and www.transunion.com.

I won't judge you based on your credit and can help you get back into home ownership with the best lending institution for you. E-mail me at Cheryl@HomesByCheryl.com or call 317-536-7325 for more information.