



WHAT MAKES UP A CREDIT SCORE

AND HOW TO IMPROVE IT

Not All Credit Scores Are Created Equal. There are many consumer direct websites available to pull credit reports; however, the majority of them do not report credit scores the same way a mortgage credit report does. Mortgage credit reports have their own unique scoring model and can differ widely from non-mortgage rated credit reports. This is especially important when you are preparing to buy a home. Only a credit report obtained from a mortgage lender will reflect the true score used for mortgage lending.

FACTORS THAT DRIVE CREDIT SCORES:

- Payment History – 35% of your score
- Balances – 30% of your score
- Length of History – 15% of your score
- New Accounts – 10% of your score
- Types of Accounts in use – 10% of your score
- Established Accounts – positive effect

HOW TO MAXIMIZE CREDIT SCORES FOR THE HOME LOAN PROCESS:

Pay bills on time. Delinquencies occurring in the last 2 years generally carry more weight than older derogatory items.

Don't close long-established accounts.

If paying off a credit card, don't close it, especially if the account has been open for a long period of time.

Don't pay off collections accounts without talking to your lender first. Depending on the date reported, paying off a collection account could potentially drop your score.

Keep outstanding balances low on credit cards. Keep balances below 20% of the credit card limit.

Variations on credit scores. Not all creditors report to all three credit bureaus, which is one reason why your credit score varies.



Know when the creditors report to the bureaus.

The balance reported to the credit bureau is the balance on the date the credit card company submit to the credit bureaus. It has nothing to do with when your payment is due or if you pay off the balance monthly. Knowing when the creditor reports balances to the credit bureau is valuable so you can plan to make large payments or pay off (if you pay off your credit cards monthly) prior to that date. **Example:** If a credit card company reports balances to Experian on the 20th and you pay the credit card off on the 25th the balance on the 20th is what is reported not the balance on the 25th. Credit card companies generally report to the credit bureaus once per month. Be sure to inquire with the creditor and ask when they report balances to the credit bureaus.

YOU HAVE ACCESS TO ONE FREE CREDIT REPORT ANNUALLY:

You can view your report **online at www.annualcreditreport.com** or by calling **877-FACT-ACT**.



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