



## **Florida Association of Mortgage Brokers Offers Consumers Tips To Improve Credit Scores**

Have you heard the term “credit score” before, but are unsure of what it actually is and what this number stands for?

With the Spring home buying season upon us, many consumers begin the process of searching for their first home to purchase while others put their current home up for sale and look for a new house. Before you begin house shopping with your realtor, it is important to first learn more about your credit score and how it affects your ability to borrow money to finance your new home.

A credit score is a determined scientific number from 300-850, which indicates the level of risk for repayment of debt to a lender at the time of the credit inquiry. Credit scores are based on a consumer’s current debt utilization and payment history including mortgages, credit cards and auto loans. Public record information, which includes bankruptcy filings, foreclosures and judgments are also considered. The age of the credit history and type of credit is also taken into consideration. The number of inquiries on the credit report during the last 12 months may or may not be a factor influencing the credit score and this depends on other factors in the credit file. Multiple inquiries from several mortgage companies or auto dealers would be considered as one inquiry

Who would compute your credit scores? There are three major repositories of credit—Equifax, Experian or Transunion. They receive credit information from creditors who report your payment history. This information is accumulated and analyzed. The repository’s statistical model determines a score that is specifically based on your total credit history.

The Florida Association of Mortgage Brokers (FAMB) recommends that consumers meet with a certified mortgage professional to discuss their credit score and profile. During the meeting with their mortgage originator, the FAMB recommends that consumers consider the following tips to improve their credit score before purchasing or refinancing property.

- All credit card balances should be paid to below 30% of the available credit limit on the card.
- Do not consolidate credit card accounts to one or two cards and close out other accounts. Consolidation of your credit card balances will noticeably distort the appearance of your credit utilization. Having a low balance on several credit cards is better than having a high balance on one or two cards which exceed more than 30% of your available credit limit. Balances that exceed 30% would indicate a higher credit risk profile.
- Keep your credit card accounts open and active by using your cards at least once every five months, even if it is for a tank of gas. When you receive the bill for a credit card you do not use often, make sure to pay the bill in full. Do not close accounts without the advice of a knowledgeable mortgage broker or professional. Doing so may negatively impact the balance of the variables weighed by the scoring model

- Review your credit report for accuracy at least 90-days before applying for a mortgage. Report any inaccuracies or outdated information by contacting the repository. You may send them a dispute letter or request the item be reinvestigated and verified for accuracy. Your mortgage broker can advise you how to go about filing a written dispute with the appropriate repository.
- Have clear and concise documentation to support your dispute request and mail that documentation to the reporting repository with a return receipt requested. The Fair Credit Reporting Act states that the process to make necessary modifications will take approximately 30 days. In the State of Florida, as of 2005, individuals can obtain a free copy of their credit report and profiles by contacting Equifax, Experian or TransUnion at their respective websites ([www.equifax.com](http://www.equifax.com), [www.experian.com](http://www.experian.com), [www.transunion.com](http://www.transunion.com)).
- Paying off a collection account or judgment will not eliminate it from your credit file. Paid or satisfied negative credit items will show a zero balance. They will appear in your credit profile for seven years. A late or collection account will still be reflected in your credit file even if it has been paid off recently. The repository must accurately report how each credit transaction was paid.

For someone who has not yet established credit or whose credit score is considered low, there are new forms of scoring credit to help those with blemished or sketchy credit histories. New forms of credit scoring use your payment record for utility bills, rental units and payday loans to assess your ability to repay. Even if your credit score is “less than perfect” we suggest that you speak with a trusted financial advisor, mortgage broker or mortgage professional about your financing options. Based on your specific financial circumstances they will be able to determine which mortgage product best suits your needs.

The Florida Association of Mortgage Brokers is the oldest state trade mortgage association in the nation. Members strive to attain the highest degree of excellence and customer service available. FAMB members also subscribe to a strict code of ethics. For more information or to find a mortgage broker in your area, visit the consumer information page on the FAMB web site at [www.famb.org](http://www.famb.org).