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TITLE COMPANY

Steps to Repair Your CREDIT

The idea of house hunting may be more fun than the process. For new homebuyers, the first step before hunting for a new property should be to find a lender to learn how much house you can afford. The catch is that the first thing that lenders want to know is your credit score.

How high — or low — your credit score is can determine everything from what type of mortgage you are qualified for, to the value of your loan's interest rate.

A low score doesn't mean homebuyers can't secure financing, but taking steps to improve that score will help ensure better loan options. Patten Title can help make your dream home a reality with 12 steps to take to improve your credit.

FOCUS ON THE SCORE

Your credit score is a numbers game. The higher it is, the better your chance of getting the best interest rate for your loan. However, before you can fix your credit score, it helps to understand what the score is and how you earned it.

Credit scores range from 300 to 850, and your score is the composition of your payment history, how much debt you've accumulated, and the length of your credit history. An "Excellent" credit score is 800 or above, while a "Good" score is between 670-730.

Securing a loan with a fair credit rating depends on your overall financial picture and the lender's policy. Lenders like to see a credit score above 620, which is required to qualify for a conventional loan. Not to fret if you see a score below 620; you may be eligible for other types of loans.

THE FIX: Each year, you are eligible for a free copy of your credit report from the three major credit reporting agencies — Equifax, Experian and TransUnion. You can learn your score without impacting the number.
Make sure you take advantage of this free service each year and verify that everything is correct. Errors are common and can impact your score (more on that later). The good news is that you can dispute these and fix them before you meet with a lender.

Once you know your score, you can start to take steps to improve it. Some fixes are easy and will move you into a bracket with a better interest rate in three to six months. Others may take a little longer but will be financially beneficial in the long run.

PAY OFF OLD BILLS

Past history sometimes predicts future performance in the eyes of lenders. Payment history is the single biggest factor for qualifying for a mortgage, accounting for 35% of your credit score.

Borrowers with a habit of paying bills late or not at all will see that reflected in their credit scores. An occasional late payment won't affect the overall score, but consistently paying 30 days beyond the due date will lower the number (60 days late often qualifies for collection).

THE FIX: There is an answer for having a spotty on-time payment history, and it's simple: start paying your bills on time. Making on-time payments for three months will raise your credit score, and a six-month streak could completely repair a wounded credit score.

Start by utilizing online payments that can be deducted directly from your bank accounts. Prioritize any bill that qualifies as a

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