

Important “Need to Knows” about Your Credit Report

A credit report is one of the initial items a lender needs to review to pre-qualify a potential buyer. Credit scores are a very significant part of the home buying process today, but are not solely the determining factor. Today, we take into account all activity reflected on the report including late payments, judgments, tax liens, collections and charge-offs. There have been times when a borrower has a credit score which meets the lending guidelines, but because of other activity reflected in their credit profile they are not able to qualify for a mortgage.

Tips on improving credit scores:

- ◆ **Pay bills on time** ~ Delinquencies that have occurred in the last two years carry more weight than older items.
- ◆ **Keep outstanding balances low** ~ Make an effort to keep balances on revolving lines of credit (credit cards) at or below 30% of the credit limit at least 2-3 months prior to pre-qualifying for a home loan.
- ◆ **Don't close accounts** ~ If paying off a credit card, don't close it, especially if the account has been open for a long period of time. Seasoned accounts help to keep credit scores up.
- ◆ **Keep credit inquiries to a minimum** ~ Credit inquiries within a 12 month time frame will impact your overall credit score.
- ◆ **Apply for a secured credit card** ~ Many banks will issue a credit card if secured by a savings account. After a year of good payment history they will generally release the secured requirement.

A couple other items to keep in mind:

Disputed Accounts becoming an issue~

- *Fannie Mae's automated underwriting system, DU, now requires “disputed” verbiage be removed from the credit report for the loan to be eligible for delivery to Fannie Mae. Many, many people have disputed items on their credit reports! In the past we could provide a letter explaining the disputed item, but today this will not suffice in most cases.*

Identity Theft increases by more than 7% during tax season (March thru June)~

- *Requesting the credit bureaus initiate a **Security Freeze** is a great preventative measure to avoid ID Theft. A Security Freeze will not allow anyone, outside of current creditors, pull credit prior to the consumer's approval. If they allow credit to be pulled they can un-freeze the bureaus for the time required to pull credit and then re-freeze when it's complete.*
- ***Did you know, Cherry Creek provides a free 1-year ID Theft Protection service for every one of our borrowers in Arizona!***

Free copies of credit reports can be obtained at the following website: www.annualcreditreport.com

The credit of many borrowers have suffered as a result of the economic turmoil the Arizona market has experienced over the last few years. If you are interested in buying a house, but may not be able to qualify today and want to implement a plan to improve your credit so you may buy a home in the future, contact me! I'm happy to look at your individual situation and give guidance on improving your credit profile to get you on the path to home ownership!

Kelly Zitlow

Certified Mortgage Planning Specialist - Certified Mortgage Instructor

Scottsdale Branch Mgr - Cherry Creek Mortgage

Direct: 480.398.4908 Cell: 602.561.6760

kzitlow@ccmclending.com www.kellyzitlow.com

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