

CREDIT SCORING FAQs

DOES HAVING MY CREDIT PULLED HURT MY SCORE?

When a creditor pulls a consumer's credit it is called a "hard inquiry". When shopping for a mortgage, car loan or even a cell phone, credit inquiries can reduce your score, however, the impact is typically quite small. **Multiple pulls within a 30-day window from the same type of creditor (e.g., Mortgage lender/Auto Loan) only count as one pull.** Best advice is try to keep hard inquiries to a minimum but keep in mind, without a credit report, a mortgage banker can't give you accurate advice so, if you are planning to obtain a mortgage you should have your credit checked by a mortgage professional BEFORE you actively search for a home. The report is typically valid for 120 Days however your credit will be monitored until the day of closing. **DO NOT APPLY FOR ANY NEW CREDIT WITHOUT SPEAKING TO ME FIRST**

WHY IS THE CREDIT SCORE YOU GET DIFFERENT FROM THE ONE THE BANKS USES?

The credit bureaus produce many different scoring models. Even though they are from the same three credit agencies the scores they yield are different from the reports used by banks. What this means is the score you get from Vantage, Plus, or Credit Karma may be significantly higher than what a bank obtains, even though the underlying information is likely to be the same. Banks cannot use a report provided by a third party.

DOES OPENING NEW CREDIT HURT MY SCORES?

Yes, opening credit hurts a credit score in the short term because it reduces the average age of your credit. Over time, having additional credit available should help your scores. Best rule is to obtain new credit when you DON'T need it and when you are NOT shopping for a home.

IMPORTANT: WHEN APPLYING FOR A MORTGAGE YOUR CREDIT WILL BE MONITORED THROUGH THE DAY OF CLOSING. IF YOU OPEN A NEW ACCOUNT, IT MAY IMPACT YOUR RATIOS AS WELL AS YOUR SCORES. DO NOT OPEN A NEW ACCOUNT (OR LEASE A NEW CAR) WITHOUT CHECKING WITH ME FIRST.

HOW MUCH DO HIGH BALANCES IMPACT MY SCORES?

Depending on the type of credit, the limit on each revolving account, the amount of the balance and the score prior to the balances becoming high, a score can drop over 100 points if an account is close to "maxed out". Try to keep balances below 25% of the account limits. This is one of the easiest ways to quickly improve your score (if you have the money to pay down the balances). If you plan to obtain a mortgage, forget about earning frequent flyer miles – keep card usage to a minimum. Large balances will also impact your Debt-to-Income ratios. **NOTE: EVEN IF YOU PAY THE BALANCE IN FULL EACH MONTH THE BALANCE DUE ON YOUR MONTHLY STATEMENT IS REPORTED TO THE BUREAUS.**

IF I PAY THE BALANCE IN FULL ON MY CREDIT CARD EACH MONTH DOES IT MATTER THAT I USE MY CREDIT CARDS A LOT?

YES, even if you pay the balance in full each month the balance due on your monthly statement is reported to the credit bureaus. The minimum payment is also reported which will impact your debt ratio. **TIP –pay your credit card before a week before the due date.**

Credit scoring.. continued

CAN NEGATIVE INFORMATION BE REMOVED FROM MY CREDIT REPORT?

YES, it's possible but not easy. Negative information normally stays on the report for 7 years (10 in some cases). If you can provide us with documentation of an error, we may be able to get your score revised via a "rapid rescore". A credit repair company might also be able to assist you in having it negative information removed.

DOES CLOSING AN ACCOUNT HURT MY CREDIT?

YES, closing credit can reduce your scores. DO NOT CLOSE CARDS – EVEN IF YOU DON'T USE THEM. You will lose the entire history. If the account is one that you have had for a long time the impact will be more significant because it is increasing the length of your credit history. If you have an old account that is dormant it might help your score if you make a small purchase to reactivate it, especially if it is an account you have had for many years.

HOW CAN I ESTABLISH CREDIT IF I DON'T HAVE ANY?

Building credit can take a while so it's important to start well before you plan to obtain a mortgage. Call me if you would like information on easy to obtain credit cards.

HOW MUCH DOES A LATE PAYMENT HURT MY SCORES?

The exact amount is hard to quantify but any new late payment can reduce your scores dramatically. It does not matter if it is a \$5,000 mortgage payment or a \$10 Macy's payment: If it is late, your scores will be dramatically impacted because of the newness of the delinquency. Multiple lates in a short period of time will have a huge impact.

DOES A COLLECTION ACCOUNT COME OFF MY REPORT IF I PAY IT?

No, just because you pay a collection does not mean it will automatically be removed. The only legal responsibility the collection agency has is to update the credit report that the collection is paid. In most cases a paid collection will not increase your scores.

DOES MY SALARY OR BANK BALANCE IMPACT MY CREDIT SCORES?

No, credit bureaus do not know your income or bank balances. These have no impact on your credit scores

HOW LONG IS THE REPORT VALID?

In most cases the report is good for 120 days. If your loan will not close by the time the report expires, we will need to repull credit prior to closing. **If your score decreases or new debt has been obtained this may impact your approval**

For a free credit analysis call me at: (917) 653-9082