

Credit Scores

GREAT:

720 OR HIGHER, WITH A SCORE LIKE THIS YOU CAN USUALLY GET ANY LOAN YOU WANT AT A GOOD INTEREST RATE. YOU CAN USUALLY QUALIFY FOR A VIP LOAN. THIS SCORE WILL HELP YOU SAVE ON THE INTEREST RATE, AS WELL AS MORTGAGE INSURANCE IF YOU HAVE TO PAY IT.

GOOD:

680-719 YOU ARE STILL IN GOOD SHAPE. YOU WILL GET CLOSE TO THE SAME RATE AS A THE GUY WITH A 720. MORTGAGE INSURANCE MIGHT BE A LITTLE MORE EXPENSIVE.

IT'S OK:

620-679 YOU STILL QUALIFY FOR REGULAR LOANS. MORTGAGE INSURANCE IS GETTING MORE EXPENSIVE. YOUR INTEREST RATE WILL BE SLIGHTLY HIGHER THAN THE 720.

GETTING ROUGH:

580-619 YOU CAN STILL DO A LOAN. YOUR MORTGAGE INSURANCE WILL BE HIGHER. IT WILL BE TOUGH TO IMPOSSIBLE TO GET YOU A SECOND MORTGAGE. FHA IS A BETTER OPTION WHEN YOU HAVE A SCORE LIKE THIS.

WE NEED TO TALK:

579 OR LESS

YOU HAVE SEVERAL LINES OF BAD CREDIT. IT WILL BE ALMOST IMPOSSIBLE TO GET A LOAN WITH THIS SCORE. SEEK CREDIT COUNSELING.

PROBABLY NOT GOING TO HAPPEN:

351-519

THIS PERSON HASN'T PAID A BILL ON TIME IN A LONG TIME. IT WILL BE 1-2 YEARS BEFORE THEY WILL GET A DECENT SCORE. THERE ARE LITTLE TO NO OPTIONS FOR THIS PERSON CURRENTLY.

WHAT AFFECTS MY CREDIT SCORE?

SOME COMMON MISCONCEPTIONS;

DON'T RUN MY CREDIT, I WILL LOSE POINTS.

IS IT TRUE THAT RUNNING CREDIT REPORTS CAN REDUCE YOUR SCORE?

Fico.com states that it doesn't if it is a same industry report. Experience tells me differently. The good news, if it is less than 3 in a 90 day period, it doesn't change it at all. If you run 15 in one week you will lose 2-4 points for each report run.

HEY, I KNOW MY SCORE; I RAN IT ON THE INTERNET. ISN'T IT THE SAME
Not so much. The on line version is close to the real thing, but not quite. If you really need to know, have someone in the mortgage industry run it.

I HAVE BEEN WORKING ON MY CREDIT. WILL MY SCORE EVER IMPROVE?
Late pays affect the score by the number of lates, how long they were late, and more importantly, how recent were they late. It is hard to quantify the damage multiple lates have on score. If the lates have been more than 2 years, they have a much smaller affect on the score than recent late payments.

WHY IS MY SCORE SO LOW? I NEVER MISS A PAYMENT.

IF YOU HAVE HAD PERFECT CREDIT ALL OF YOUR LIFE, WILL YOU HAVE A PERFECT SCORE?

NO!!!!!! One of the dumbest calculations that go into credit scoring is the ratio of credit used versus the credit limit. The closer you get to 100% of your credit limit, the more points you will lose.

A card with a \$100 limit and a \$99 balance will lose you about 15-18 points. If that same card has \$101 on it, you will lose about 25 points. Throw on a past due, and now you are talking about some serious points.

Ideally, you would never want your balance to exceed 50% of your limit.

SHOULD I CLOSE OUT MY OLD CARDS TO GET A HIGHER SCORE?

Again, **NO!!!** If you want a higher score, go out and use those cards just a little bit. Put \$20 on a \$10000 card will score some points.

The longer you have had a card or loan, the more it adds to your score.

HOW DO I GET A PERFECT SCORE?

I don't know.

Other than the obvious (paying everything on time) and keeping credit balances less than 50% of the limit, time. I have only heard of one score of 825.