

The Difficulties of Borrowing

Establishing and maintaining a good credit score is essential. Borrowing can be particularly hard for those who haven't built a sturdy history of on-time payments, or who have faced financial difficulties.

The good news is there are established ways to creating or boosting your credit score, and that can open the door to a lot more buying power down the road.

HOW YOU'RE SCORED

A number of factors come into play when determining credit scores. The most common is your payment history, which includes a record of when you paid on time, were late or missed altogether. Credit bureaus also examine your utilization ratio, comparing the total amount of available credit with the amount you're using at any given time. Remember that your score is based on the total amount of debt you are carrying, not just credit cards. The number is also influenced by how long you've been building credit,



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REAL ESTATE 101

What's In My Mortgage?

These monthly installments pay down your principal, or the balance of what was borrowed. They also address interest, taxes and insurance. (Taxes and insurance are usually calculated based on one-twelfth of your annual bill.) In some cases, private mortgage insurance may also be part of your payment.

how many recent applications you've made for credit and, in some cases, any issues from the past like civil judgments or bankruptcies.

STARTING FROM SCRATCH

What if you're just starting out and have little or no credit history? Millions of con-

sumers face this critical barrier each year, according to the Consumer Financial Protection Bureau. Young people, Black people,

Hispanic people and low-income borrowers are at the highest risk of this "credit invisibility."

With no score, they may struggle to complete basic tasks like opening a bank account, signing up for a phone plan or securing a credit card, much less leasing a home or taking out a mortgage. In some cases, credit history is also taken into account during the hiring process as well. As a result, many turn to credit options with lower qualifying rules, like payday or title loans.

REBUILDING YOUR CREDIT

Lenders recommend that those who are trying to rebuild their credit first getting a secured card, which requires a deposit equal to the card's limit. This will help quickly establish a credit history. Next apply for a new unsecured credit card, then making only minimal charges so that you can keep up with the payments. Keeping up with those regular bills will open the door for other lending opportunities, including gas cards or department store credit, that will help diversify your portfolio. Consider taking out a so-called credit-builder loan, which allows borrowers to make small payments to build credit.



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HOMEWISSE GLOSSARY

Title search: A review done by the title company's representative of all records available to determine if the title is indeed clear of all liens and claims. **source:** MLS.com

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