

Get your credit in order

By ALEX MASON | Green Shoot Media

Your credit score will determine your accessibility to lower interest rates and ultimately how much you will shell out for a piece of property over the life of the loan.

The long-term financial plan is just as important as the short-term gain when acquiring the property. So get busy to find out what your credit score is and how you may improve your score to secure the best lending options.

CREDIT REPORTING

The three main credit reporting bureaus are Equifax, TransUnion and Experian. We are all their clients whether we like it or not, for better or for worse.

The good news is that the big three credit bureaus will issue you one free credit report once a year. Simply put your request into writing and obtain your credit score from all three agencies. These are the same companies that your home loan lender will be contacting, so give yourself a head start to correct what you can.

In general, the higher your credit score, the more attractive your loan options will be. Your good credit score translates into a lower interest rate, and in some cases, a lower down payment.

If you find your credit score to be less than what you need to secure a top-quality loan, it makes good sense to raise your credit score before you purchase the property.

RAISE YOUR SCORE

The credit score is a numbers game. When you make on-time payments, you are rewarded, and late payments will earn you a credit score ding. The object of the credit game is to get more good points by overtaking the bad ones.

One way to raise a credit score is to get a credit card, or a series of them, with low interest rates and start charging your purchases. However, self control is key to obtaining a rapid rise in your score.



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Checking your credit is a key first step in the home-buying process.

Only purchase items that you have the money to pay off on time, and buy just your monthly essentials on credit. After less than a year of smart credit planning, your score will have increased, and you should be on your way to a better mortgage loan. If you rack up debt by carrying a balance on your cards every month, it could end up hurting your credit score.

Your local loan officer might have the names and contact information for liberal credit card lenders to get started improving your credit score. However, be sure when you sign up with a card that the agency reports to Experian, Equifax and TransUnion, or the entire credit charging project is moot.

Major department store cards are usually qualified, but small store in-house credit may not help your situation. Some secured credit cards report to the major bureaus and are an excellent choice to rebuild your credit. You can never spend more than what you have deposited in their account, so there are no worries about getting into a choke hold of debt.

GET PRE-QUALIFIED

Time is money, and neither you nor your agent wants to waste time looking at properties you cannot afford.

REAL ESTATE 101

Increasing Your Score

Here are a few tips to help raise your credit score:

- Get a low-interest credit card and start charging monthly essentials, being sure to pay them off on time.
- Be sure your credit accounts report to the three major credit bureaus.
- If you have a low credit score, look for credit card lenders that lend to people in your situation.

Your loan officer will take away the house hunting woes by issuing you a pre-qualifying letter for lending. This document indicates the limit of your loan, the interest rate and payment structure you may expect.

Buying with confidence begins with understanding how much of a loan you qualify for and that there is a lender ready to back you.

In addition, many real estate agents and brokers want to see the pre-qualifying letter to ensure that you are a serious buyer and that they may better understand how to serve your buying needs.

The pre-qualifying letter is a win-win situation for your real estate agent, and most importantly, for the buyer to shop for a home with peace of mind that deal is going to go through.

So, be honest when you sit down with your loan officer and provide him or her with everything they ask you for to get your funding in order as soon as possible.

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HOMESWISE GLOSSARY

FICO score: FICO is an abbreviation for Fair Isaac Corporation and refers to a person's credit score based on credit history. Lenders and credit card companies use the number to decide if the person is likely to pay his or her bills. A credit score is evaluated using information from the three major credit bureaus and is usually between 300 and 850.

SOURCE: U.S. Department of Housing and Urban Development

AD SPACE