

## **5 Key Factors Affecting Your Credit Score**

Your Credit Score (FICO) is a critical measure as to whether you can get a mortgage ... and at good rates. Here are 5 key Factors that decide your Credit Score:

Scores range between 200 and 800. Those above 620 are considered desirable for obtaining a mortgage. These factors will affect your score

- Your Payment History. Whether you paid credit card, hire purchase or other financing obligations on time
- How Much You Owe. Owing a great deal of money on numerous accounts can indicate that you are overextended.
- The Length of Your Credit History. In general the longer the better.
- How Much New Credit You Have. New credit, either installment payments or new credit cards, are considered more risky, even if you pay promptly.
- The Types of Credit You Use. Generally, it's desirable to have more than one type of credit—installment loans, credit cards, and a mortgage, for example.

For more on evaluating and understanding your credit score go to <http://www.myfico.com>.

So, if the Credit Score is so important for mortgage eligibility, is there anything that can be done to improve a Credit Score?

### **8 Ways to Improve Your Credit**

Credit scores, along with your overall income and debt, are a big factor in determining whether and on what loan terms you'll qualify for a loan.

1. Check for - and correct - errors in your credit report. Mistakes happen, and you could be paying for someone else's poor financial management.
2. Pay down credit card bills. If possible, pay off the entire balance every month. However, transferring credit card debt from one card to another could lower your score.

3. Don't charge your credit cards to the maximum limit.
4. Wait 12 months after credit difficulties to apply for a mortgage. You're penalized less for problems after a year.
5. Don't order items for your new home you'll buy on credit—such as appliances—until after the loan is approved. The amounts will add to your debt.
6. Don't open new credit card accounts before applying for a mortgage. Having too much available credit can lower your score.
7. Shop for mortgage rates all at once. Too many credit applications can lower your score, but multiple inquiries from the same type of lender are counted as one inquiry if submitted over a short period of time.
8. Avoid finance companies. Even if you pay the loan on time, the interest is high and it will probably be considered a sign of poor credit management.

*This information (8 Ways to Improve Your Credit) is copyrighted by the Fannie Mae Foundation and is used with permission of the Fannie Mae Foundation. To obtain a complete copy of the publication, Knowing and Understanding Your Credit, visit <http://www.homebuyingguide.org>*



**Tony Rees REALTOR® (S)**

**Carol Ball & Associates  
76 E. Kaahumanu Ave. #A6  
Kahului  
HI 96732**

*Serving Maui for over 25 years.*

**Call: 808 – 205 2310  
eMail: [Tony@TonyRees.net](mailto:Tony@TonyRees.net)  
[www.HomeBuyersMaui.com](http://www.HomeBuyersMaui.com)**