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UNDERSTANDING YOUR CREDIT SCORE

Why are Credit Scores so important? Credit Scores directly effect many financial transactions you do, including: buying a home with a mortgage, borrowing money to purchase a car, and applying for credit cards. Making sure your Credit Score is as high as possible is one of the easiest ways of saving money every month.

Your Credit Score tells a lender very quickly and efficiently if you are a low risk or high risk borrower for a loan. The higher the credit score, the less risk the lender assumes. The less risk the lender assumes the better your rate and term options are for your mortgage loan.

FIVE COMPONENTS THAT DETERMINE YOUR CREDIT SCORE...

1. **Payment history, collections and public records.** *People who have failed to make payments in the past tend to do so in the future.*
2. **Outstanding balances being carried on accounts.** *Someone who's maxed out or close to the limit on their cards is considered a greater risk than someone who keeps their balances closer to zero.*
3. **Length of their credit history.** *People who have had credit for a long time are considered less risky. The longer the history, the better. One thing all high scores have in common is a long history with the same companies.*
4. **Types of credit they have.** *Someone with only a secured credit card is considered riskier than someone with a combination of installment and revolving debt.*
5. **New credit, frequency and number of inquiries.** *Your score with several requests for credit over a short period of time will be negatively affected.*

Credit scores are considered unbiased because they are based on your past credit history. Your score cannot be based on race, religion, national origin, age, sex, marital status or income.

IMPROVING YOUR CREDIT

Check your credit report for errors

Your first step is to make sure your credit report is accurate.

- Order a copy of your credit report from one or more of the three major credit bureaus.
- Review each account on your report to make sure it actually belongs to you or did at one time.
- If an account that you no longer have is listed as open, contact the creditor and ask them to report it as closed.

If an entry is inaccurate, ask the credit bureau to investigate. They should give you a response within 30 days.

How to improve your credit score

- Pay your bills on time
- If you are currently paying your bills late, contact each creditor and make payment arrangements
- Pay the full amount due on secured loans each month and pay on time
- If you can't pay the full amount due on secured loans, request to make an interest-only payment until you can make the full payment.
- If your financial situation is serious, seek the advice of a reputable, non-profit credit counselor.
- Maintain a reasonable debt to income ratio – don't live past your means.

Review your credit report annually and fix discrepancies.

Manage the credit you have

- Maintain reasonable credit balances. High debt-to-credit limit ratios reduce your credit score.
- Pay off debt, don't transfer it from card to card.
- Don't close unused accounts, the zero balance may help your score
- Don't open new accounts that you don't need or won't use.

Request credit line reductions, but if you have a balance, make sure your available credit is at least 50% greater than the balance owed.

This information is an overview.

If you have less than perfect credit, Mortgage Network has loan programs that can help you become a homeowner. Go to the Contact Us page on www.mortgagenetwork.com, to take your next step.