



mortgages consolidation refinancing

Credit Do's and Don'ts

How to qualify for the best rate!

- 1. PAY EVERYTHING ON TIME** Payment history has the largest affect on your credit. One 30 day late can cost anywhere from 30-75 points.
- 2. DON'T MAX OUT OR OVER CHARGE YOUR CREDIT CARDS** Try to keep your credit balances well below 50% of the limit. This means that it is better to keep multiple cards with lower balances rather than consolidating your debt onto one card.
- 3. DON'T APPLY FOR NEW CREDIT OF ANY KIND** This includes "pre-approved" credit card invitations that you receive in the mail. Every time you have your credit pulled you lose points from you credit score.
- 4. DON'T CLOSE YOUR CREDIT CARD ACCOUNTS** If you close your credit card it will appear to the FICO that your debt ratio has gone up. You can pay them off, but leave them open.
- 5. DON'T PAY OFF OLD COLLECTIONS OR CHARGE OFFS** Collections reporting in the last two years should be paid, but for those older than two years it may be better to leave alone. When an old collection is paid, the date of last activity becomes recent which is derogatory activity on your credit. If you want to pay off old accounts, pay them at closing through escrow and make sure that you validate that the debt is yours and that the creditor agrees to give you a letter of deletion. Often, creditors will settle for less than what you owe. Work with your broker to determine a strategy to settle for less.
- 6. DON'T DO ANYTHING THAT WILL CAUSE A RED FLAG TO BE RAISED BY THE SCORING SYSTEM** This would include adding new accounts, co-signing on a loan, changing your name or address with the bureaus. The less activity on your reports during the loan process, the better.
- 7. DO CONTINUE TO USE YOUR CREDIT AS NORMAL** If it appears that you are changing your pattern, it will raise a red flag, and your score will go down.
- 8. DO CALL YOUR BROKER** If you receive something in the mail from a creditor or collection agency that you believe may affect your score during the loan process. Your broker may be able to supply you with the resources you need to stop any derogatory reporting to the bureaus.
- 9. DO NOT JOIN CONSUMER CREDIT COUNSELING** Lenders see consumer credit counseling the same as a bankruptcy. It may not hurt your credit, but it will make it more difficult to obtain a loan at a good rate regardless of your score.