



Understanding Your Credit Score

One of the important factors in home ownership is understanding things like your credit score. This score tells the lender what kind of risk level you are as a borrower, which will help them determine how much they are willing to lend you and at what interest rate.

Credit scores range from 300 to 900, but the higher your credit score the better. Credit scores from 660 to 900 are generally considered good, very good, or excellent.

How your score is determined

Credit score is determined a number of different ways based on your spending and debt habits, such as:

- Previous payment history and track record of paying your credit accounts on time is the number one thing that your credit score considers.
- Your current level of debt and whether you're maxed or not is the second most important factor.
- How long you have had your credit in good standing is the third most important factor.
- Attaining new credits is the fourth factor and can be a red flag if you're opening several credit cards, accounts or loans in a short span of time
- Your credit mix is the final aspect of your credit score to determine whether you have a healthy mix of credit cards, loans, lines of credit, etc.

What should your number be?

If your credit score is over 750, you may benefit from quick approval at the best possible rates. On the other hand, if your score is below 620 you could find it difficult to qualify for a mortgage and may have to pay a premium on your borrowing rate.

Regardless of where you're looking to get a mortgage from, you should be aiming for a credit score of 680 for at least one borrower (or guarantor), especially if you are putting under 20% down.

If you are able to make a larger down payment of 20% or more, then a score of 680 is not required.

What if I don't meet the minimum?

If your credit score is accurate, but does not meet the minimum requirements, you will want to look at your current debt. Home ownership is an incredible investment, but it is also costly. Fortunately, there are a number of things you can do to improve your credit score as well as your future financial success, including:

- Paying your bills in full and on time. If you cannot afford the full amount, try paying at least the minimum required as shown on your monthly statement.
- Pay off your debts (such as loans, credit cards, lines of credit, etc.) as quickly as possible. Work on paying the ones with the smallest amount owing first and work your way towards the larger amounts.
- Stay within the limit on your credit cards and try to keep your balances as low as possible.
- Reduce the number of credit card or loan applications you submit.

There is also the option of going with an alternative or private lender if you are struggling with credit issues.

Contact me today to learn more about your credit score and determine your borrowing power!

