

9 Easy Steps

To Getting The Best Rate (and Lowest Payment) On Your Next Mortgage

By Tom Armstrong of 97.1 FreeFM's The Home Ownership RoundTable
888.847.1858

Bad credit CAN get better, and good credit can become GREAT credit!

Step 1

Background: New legislation makes it mandatory for the credit bureaus to provide you with one free credit report per year. Pulling your own report avoids having an Inquiry placed on your file, which, when they accumulate, can damage your scores.

Your Assignment: Get your credit report at www.annualcreditreport.com (completely free) or www.myfico.com (charges a fee, but includes the same FICO scores that your mortgage lender will use). Any other "free credit scores" are NOT true Fair, Isaac, & Co. (FICO) scores, which are the only scores that matter.

Step 2

Background: Getting your credit history started is obviously critical for those without one. A good place to start is with a secured credit card. But not just any card. It is CRITICAL to make sure that the secured card you get is one that reports your account to all three credit bureaus (TransUnion, Experian, and Equifax).

Your Assignment: Open a secured credit card if you do not have credit. Ask your bank or credit union if their secured card reports to all three bureaus. The following secured cards all report to all three credit bureaus as an unsecured tradeline.

- **National City Secured Card** (Click Here For Mail-In Application: <http://tinyurl.com/hs6jo>)
- **Citibank Secured Card** (Click Here For Mail-In Application: <http://tinyurl.com/k24qa>)
- **Wells Fargo Secured Card** (Click Here for Online Application: <http://tinyurl.com/zvm6h>)

Quantity (number of tradelines) is important as well as quality (credit limits). If you are starting from scratch, it would be better to have three \$300 limit secured cards than one \$900 limit card.

Step 3

Background: According to the Public Interest Research Group (PIRG), 79% of credit reports (<http://tinyurl.com/hnl4t>) have errors, and 25% of these are serious enough to cause a loan denial. **No statistics are given for how many of those other 54% were serious enough to RAISE THE RATE paid by a borrower**, even if it did not cause a denial. So, odds are, you will find errors in your credit report if you look closely.

Your Assignment: Look closely. For example; Installment loan coded as revolving credit, balances that you know have been paid off/paid down, duplicate accounts, accounts that are not yours (more common than you think!), late payments, collections, chargeoffs, other derogatory information that may be incorrect. Even dates of last activity of old accounts. Also look for old, dormant credit card accounts that may be re-activated, thus elevating your credit ratios (see below).

Step 4

Background: Total ratio and individual ratios. The FICO scoring models are known to place high value on credit utilization ratios. Both your total credit utilized to total available credit ratio and each individual revolving account ratio should be below 50% utilization; better still, below 30%.

Your Assignment: Examine both your total and each individual balance ratio. Stay below 50% at worst, 30% is much better. 15% is MUCH better; and for EACH account, not just the total. The obvious strategy if balances are too high, is to pay them down. And that always works; no question. There are a couple of less obvious solutions, though. First is balance transfers from high ratio cards to low ratio cards. Silly as it sounds, that can have a major positive impact on your scores. Second; if you have a good payment history with a particular credit card account, you can ask the card issuer to increase your credit limit. Ask them if they will do it without pulling your credit, though, as so you can avoid any unnecessary credit inquiries.

Step 5

Background: Some credit cards do not report limits, hurt ratios, Credit limits are always round numbers. Sometimes indicates an instance of going over the limit, sometimes it is just the maximum balance ever charged on the card and the creditor is not reporting the limit.

Your Assignment: Look at each of your revolving credit limits on your credit report. Look for odd numbers. Ask your card issuer to report the correct limit. If you are applying for a mortgage soon, ask your mortgage professional to perform what's known as a Rapid Re-score on your credit, forcing the new correct info into your credit profile.

Step 6

Background: If you have had a Chapter 7 Bankruptcy... you may be continuing to be punished by the creditors. Many creditors will continue to report a current **Date of Last Activity**. Not only is this incorrect, it is illegal. We'll just assume it's inadvertent on the part of the creditors, but it happens an *awful* lot. Bottom line: This can kill your scores. Having each of your Included in Bankruptcy tradelines reporting correctly can make **as much as 100 points** in your credit scores difference almost overnight.

Your Assignment: Examine each credit tradeline to make sure that date of last activity is no later than the date of filing, that the balance is zero, and the status is listed as **Included In Bankruptcy**.

Step 7

Background: Spouses often have credit cards that are separate from each other. This keeps each of them from benefiting from the positive score impact that the age, available credit limits, and positive payment history of their spouse's credit lines could have on their credit scores.

Your Assignment: Spouses: Add each other as "Authorized Users *with Account Responsibility*" to all of your accounts in good standing; i.e. good payment history, low balance ratio, etc. **Do NOT add each other to accounts with ANY derogatory history.**

Step 8

Background: Similar to Step 7, if you have someone close, who is willing to help, and who has good credit, then, with their permission, and cooperation, you can benefit from their positive history.

Your Assignment: Ask them to add you as an "Authorized Users *with Account Responsibility*". NEVER betray this trust. It's huge. Whoever does you this favor loves you **A LOT**. Ask your Home Ownership Roundtable professional about the dangers, as well as the benefits of this approach.

Step 9

Background: State-of-the-art credit analysis tools available through select mortgage professionals provide a clear concise roadmap for your credit optimization process. These tools provide you with a step-by-step guide to maximizing your credit score, as well as a precise projection of the effect these steps will have. Your Home Ownership Roundtable professional can help you utilize additional tools such as instant payoffs and rapid re-score to have these changes reflected in your credit score in as little as 72 hours.

Your Assignment: Gather all supporting information to give to your professional, then let them get to work helping you to **Improve Your Credit and Improve Your Mortgage.**

* * *

Mortgage regulations have changed significantly over the last few years, making your options wider than ever. Subtle changes in the way you approach mortgage shopping, and even small differences in the way you structure your mortgage, can cost or save you literally thousands of dollars and years of expense.

Get the Right Information - Whether you are about to buy your first home, or are planning to make a move to your next home, it is critical that you be informed about the factors involved.

Every day, people turn to a mortgage lender to help them get a home loan, but because many of them do not know what questions, if any, to ask, they often make incorrect choices. By taking these few minutes to acquaint yourself with the **9 Easy Steps To Getting The Best Rate (and Lowest Payment) On Your Next Mortgage** you can reduce or eliminate the chances of making a critical error and save thousands on your mortgage.

A Gift to You From:



Tom Armstrong



Michael Ballinger



Mike Harris



Darren Orshoff



97.1 FREE FM

www.971roundtable.com

CBS RADIO

Tune in Every Saturday
at 1:00 p.m. PST in L.A.
on KLSX 97.1 Free FM
or Streaming Online
at 971freefm.com

The Home Ownership Roundtable
The Educational Radio Show Demystifying Buying, Selling & Refinancing