

# 8 CREDIT SCORE MANAGEMENT TIPS

## *How to get your credit mortgage-ready*

Your credit score can affect your ability to get approved for a mortgage and may even help you get a better interest rate. This guide offers quick tips that could improve your credit before you start the home loan process.



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# THE PATH TO HEALTHY CREDIT

*Ready to buy a new home? Before you start house hunting, it pays to take a close look at your finances. Taking some simple steps may even get you a better interest rate and save you money for years to come.*



## DID YOU KNOW?

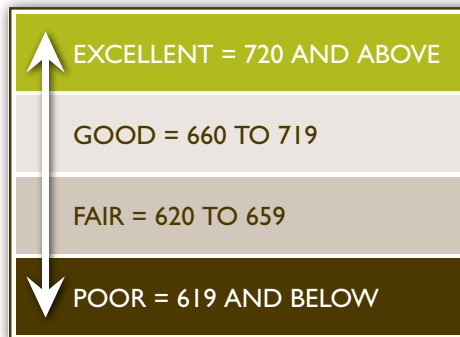
CBS News reports that 20% of credit reports have errors. Common mistakes include misspelled names, mortgages listed twice and wrong Social Security numbers. Don't let inaccuracies affect your score. Request your credit reports and submit any errors to the credit bureaus. Be ready to provide documentation.

## 1: CHECK UP ON YOUR CREDIT REPORTS

Lenders use your credit score to help determine how likely you are to make payments on time, and therefore the interest rate they are willing to offer. Even if you think you have perfect credit, errors on your reports may be lowering your score. Make sure you get a separate report from all three major credit bureaus because they collect information separately and may report different errors. By law, you're entitled to a free report from each of these bureaus annually. To request your credit report, go to [www.annualcreditreport.com](http://www.annualcreditreport.com).

## HOW TO READ YOUR CREDIT SCORE

So you know your credit score...now what? It's time to see where you rank.



## 2: DISPUTE ERRORS ON YOUR REPORTS

Dispute any negative alerts on your credit report that you believe to be in error. Companies sometimes supply inaccurate or out-of-date information to credit bureaus, and other times erroneous information can result from identity theft. Dispute any errors with the credit reporting companies and the companies that supplied the information. The US government's [consumer finance website](http://www.consumerfinance.gov) offers guidance on how to get started.

## 3. KEEP OLD ACCOUNTS OPEN

Closing old credit card accounts can affect your credit score negatively in two ways. First, it can shorten the length of your credit history, making you look less reliable to lenders. Second, closing accounts reduces the total credit available to you, which makes any balances you do have appear larger in proportion.

Source: CBSNews.com (2013). 40 Million Mistakes: Is your Credit Report Accurate? by Steve Kroft. Retrieved March 14, 2014, from <http://www.cbsnews.com/news/40-million-mistakes-is-your-credit-report-accurate-25-08-2013>

## CREDIT MONITORING

Checking your credit report is a key defense against errors and identity theft, but once a year may not be enough. Consider enrolling in a monthly credit reporting service. Identity IQ<sup>SM</sup>\* has several programs available. If you sign up for their services through our website, you may enjoy a discounted rate. Visit [RichmondAmerican.com](http://RichmondAmerican.com).

## REQUIREMENTS

Conventional loans typically require a higher credit score, while FHA and VA loans aren't as strict. Check with a loan officer to learn the credit score requirement for the loan program that is best for you. **866-400-7126**

## WHAT WON'T IMPACT YOUR CREDIT SCORE?

- Rental agreements
- Child/family support obligations
- Interest rates charged on credit cards or other accounts
- Personal facts like your age, marital status, occupation or where you live
- Participation in credit counseling or receipt of public assistance
- Requests you have made for your credit report in order to review it

## 4: DON'T APPLY FOR NEW CREDIT CARDS OR LOANS

Although using credit cards responsibly can improve your credit over time, opening new accounts shortly before or during your mortgage application process can lower your average account age, resulting in a lower overall credit score. Increasing your debt with new loans for big ticket items like cars and furniture can also negatively affect your credit.

## 5: PAY YOUR BILLS ON TIME

This may seem like the most obvious piece of advice, but the math is simple: the better record you have for paying bills on time, the better your credit score. Even one month can make a difference!

## 6: AVOID BANKRUPTCY

Filing for bankruptcy can lower your credit score more than almost anything else. It can damage your chances at an affordable mortgage loan for years. While erasing debt may seem like an attractive option in the short term, be sure to speak with a personal finance professional beforehand so you know how it will affect your future choices.

## 7: MAINTAIN STEADY EMPLOYMENT

A stable income source is important when you want to buy a home, so it's no surprise that a strong employment history is one of the things lenders consider on your loan application. Lenders like to see two years of employment in the same line of work and buyers are asked to provide proof of employment and all sources of income. If you switch jobs during the processing of the loan, additional documentation may be required.

## 8: HOLD OFF ON ALL MAJOR PURCHASES

Have money saved for a new TV? You may want to hold off. It's best to postpone large purchases until after you've closed on your new home, even if you can pay cash. While increasing debt impacts your credit score, keeping money in your savings account is also important. Lenders may see you as less of a risk if you have cash reserves for unexpected emergencies.

### BUYING AFTER BANKRUPTCY OR FORECLOSURE

Buying a home after bankruptcy or foreclosure can be more difficult, but it is not impossible. Speak with a loan officer to discuss loan program guidelines. **866-400-7126** or get our free guide: [RichmondAmerican.com/AllGuides](http://RichmondAmerican.com/AllGuides)

Source: myFICO.com (2014). What's Not in My FICO Score. Retrieved March 14, 2014, from <http://www.myfico.com/crediteducation/whatsnotinmyficoscore.aspx>

# ESTABLISHING A BUDGET

If you're happy with your credit score, there's a good chance your finances are in shape and you're ready to buy a new home. Before you go any further, be sure to assess your monthly budget and determine what kind of payment you'll feel comfortable making every month.

## Where is your money going each month?

Income	Base pay	\$
	Gratuities	
	Other forms of income	
<b>TOTAL INCOME</b>		<b>\$</b>
Fixed expenses	Housing costs	\$
	Car payments	
	Car insurance	
	Utilities (water, electric, gas, etc.)	
	Loan payments	
	Credit card payments	
	Savings account allocation	
	Phone/mobile service	
	Cable/satellite service	
	HOA fees	
	Other bills	
	<b>TOTAL FIXED EXPENSES</b>	
Variable expenses	Groceries	\$
	Dining out	
	Clothing	
	Entertainment	
	Gifts	
	Miscellaneous	
<b>TOTAL VARIABLE EXPENSES</b>		
<b>TOTAL EXPENSES</b>		<b>\$</b>

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# SAVING FOR A DOWN PAYMENT

*Credit score and credit report? Check. Budget? Check. The next thing you'll need to have is a down payment!*

## HOW MUCH?

Some VA loans require little or no down payment. FHA loans require a down payment of at least 3.5% and conventional loans require a 5% down payment from the borrower's own funds.

## CAN YOU USE A GIFT?

Gifts from relatives are allowed for part or all of the down payment depending on the loan program.

## WHAT ABOUT CLOSING COSTS?

Closing costs are an additional expense and can be between 3% and 5% of the purchase price. Your lender will provide a Good Faith Estimate that will give a breakdown of the expected closing costs within three days of your loan application.

## 4 WAYS TO BE A HOMEOWNER SOONER

1. Have a portion of your income automatically transferred into your savings account each month and you'll save quickly without even thinking about it.
2. Although lenders do not let you borrow money to come up with a down payment, they will generally let you use gift money from a relative.
3. If you purchase a home from us, you may be able to enjoy exclusive offers and special financing available from Richmond American and our affiliated companies.\*\*
4. If you have a 401(k) plan, you can use the funds for a down payment, subject to the loan program and your 401(k) plan guidelines.

Visit [RichmondAmerican.com](http://RichmondAmerican.com) to find the home that's right for you.

# PRE-QUALIFYING FOR A MORTGAGE

*Have your finances in order? You're one step closer to your dream home. It may be time to get pre-qualified. Pre-qualifying is an easy way to determine how much you may be able to borrow and allows you to start looking for a home that fits your budget. Richmond American's affiliate, HomeAmerican Mortgage Corporation,<sup>†</sup> can assign you a personal loan officer to walk you through the financing process.*

## BE SURE TO HAVE THE FOLLOWING ITEMS HANDY:

- Most current 30-day pay stubs
- All asset information (recent two-month checking/savings account info, retirement funds, stocks, bonds, etc.)
- Creditor information (credit card statements, auto loan statements, etc.)
- Dates of employment; address and phone number of current and previous employers
- W-2s for the last two years
- Rental information for the last two years (if applicable)
- Federal tax returns or 1040s for the most recent two years

## MORE ABOUT HOMEAMERICAN MORTGAGE (HMC)

HomeAmerican Mortgage Corporation has been a proud affiliate of Richmond American Homes since 1984. We are dedicated to providing a tailored financing experience for every customer. As a full-service lender, HomeAmerican Mortgage can help you sort through the lending lingo and uncover your personal buying power. We would be happy to look at your personal finances and present you with mortgage solutions designed to meet your needs.

Our experienced loan officers are available to answer any questions you may have regarding financing your new home, or refinancing your existing home. Call **866-400-7126** today.

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## NOTES:

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\*\*Exclusive offers and financing are subject to availability and the terms and conditions applicable at the time of the offer or financing program. Special financing is offered through HomeAmerican Mortgage Corporation, an affiliated company of Richmond American Homes. See the next note for additional information.

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HomeAmerican Mortgage Corporation is an affiliated company of Richmond American Homes. HomeAmerican Mortgage Corporation's offices are located at 4350 S. Monaco Street, Suite 200, Denver, CO 80237. HomeAmerican Mortgage Corporation (NMLS Unique Identifier #130676), 866-400-7126.

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