



Everyone knows that credit has a huge impact on if you qualify for financing. However, if you have low or poor credit, that does not automatically bar you from getting a mortgage. Here are five quick tips to help improve your "mortgage" credit score:

1. STAY CURRENT ON YOUR PAYMENTS (All of Them)

Yes, staying current on that small credit card you have can make the difference in the swing of things. Your payment history makes up just over a third of your FICO score. On time payments not only float your credit score, it also shows lenders that you can consistently repay your debt. Paying installment debt, such as auto or certain personal loans, has a greater impact on your score than revolving debt, such as credit cards.

If you have collection accounts, now may be the time to take care of them. At least respond to collection letters quickly for the possibility of creating a workout plan and to help prevent a major impact your credit score.



2. PAYDOWN OUTSTANDING CREDIT CARD BALANCES

We all need that new cool gadget on Amazon, but one purchase here, then another there, quickly adds up. Soon you don't even realize you have a swelling balance of credit card debt. Keep purchases in check and instead try to utilize your available credit more effectively. You want to make sure you only use about 20-30% of your overall available credit. Don't keep excessive balances on one card and consider consolidating credit card balances that are creeping higher. Many credit card companies have 0% interest on balance transfers (although there may be a small one-time fee).

If you are looking to paydown debt, consider paying smaller balances off fully as opposed to applying small payments over a broad range of tradelines. Alternatively, some experts suggest hitting the tradeline with the highest interest rate first, then the next highest, and so forth. Whatever your approach, remember that credit utilization accounts for around 30% of your overall FICO credit score.



3. KEEP NEW INQUIRIES TO A MINIMUM

A majority of those special financing deals you find when shopping at major retailers are credit cards in disguise. While you may save 10% on your purchase right then, think about how pulling your credit will impact your score in the long run. Too many inquiries in a short time can negatively impact your credit (regardless if you open an account or not). It can take up to two years for an inquiry to fall off your credit report.

Also, if you are applying for a mortgage do not open any new tradelines. Unless you are shopping for a better rate, keep your inquiries at a minimum. Lenders will check to make sure no new tradelines are opened before closing. You don't want that new Alexa device to be the reason you don't qualify to buy your dream home!



4. DISPUTE NEGATIVE ACCOUNTS

Let's face it, all of us have issues with our credit at times. Whether you forgot to pay that credit card bill this month or were just late on a car payment, knowing where you are at with your accounts is the first step to better managing your credit and increasing your score.

Sometimes creditors actually make mistakes too. Monitor your accounts and if you see a discrepancy, question it. If you find that you didn't actually make that payment late or that collection account was actually paid, you can dispute these items with the three major credit bureau agencies to try and have them removed. Keep in mind, it can take up to 30 days for the bureau to investigate the account, but if the agency cannot validate the account, by law it must be removed. Now, most disputes can now be submitted directly to the bureaus electronically.



5. GET A FREE CREDIT REPORT

As part of monitoring your credit, make sure you pull your free credit report. By law, you are entitled to an annual free credit report from all reporting agencies. Checking your report will give you a better idea of where your credit stands and which account that may need a second look. It's always good to know where you fall before applying for a mortgage. Consider also using third party providers that offer credit tracking (although maybe not a formal report) such as CreditKarma or CreditWise.



SUMMARY

Whether your credit is excellent, or you might need some improvement, financing is available to you. Apply these tips to help improve your credit and get qualified for that dream home. Looking for credit assistance? Contact Sun Sky Homes for a free recommendation and referral. They work with borrowers of all credit backgrounds and offer zero down and zero closing cost financing options. Does it get any better than that?