

Global State Mortgage

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Increasing Your Credit Score

Good credit translates to lower interest rates for borrowers. Here are just a few quick tips that can help put you in a better position under the discerning eye of an underwriter!

- Do you have past due balances that have been neglected? If they are showing up on your credit report and you want to purchase a home, make sure you bring them up to current status whenever possible.
- Do you have outstanding debt that you can afford to pay off right now? Try to get these accounts down to a zero balance, or at least a lower balance. If your cash on hand doesn't allow you to do this, try to distribute the debt amongst other open credit cards. You can also consider opening a new line of credit and transferring part of the balance off a card that is close to being "maxed out." If you can get the resulting balances below 50% of the available credit, you're on the road to improving your credit score considerably in most cases.
- Do not close existing credit card accounts, even if you don't want to deal with the company any more... Believe it or not, the credit history is a good thing to have!
- When married couples keep separate credit card accounts, some or all of the balances can be transferred to one spouse's list of accounts. This gives the other spouse an opportunity to increase their credit score and designate him or herself as the sole borrower on the mortgage loan. Ownership of the home can remain in both names!
- See if your credit provider will increase your available lines of credit. This can, in turn, reduce the overall debt ratio, but only do this if your credit card company can do that without a hard credit inquiry.
- Do you have past dues and charge-offs within the last two years? Pay them off now, if you can! Past dues older than two years will have little to no impact on your credit score if they are paid, but can possibly bring the score down, which is something we don't want to do... Focus on that 2-year time frame.
- Do you see errors in your report? Request the credit bureau delete any outstanding debt that is incorrectly charged to you, or things that should have been removed that you have already paid. They have an obligation to reconcile this within 30 days. If you see items on your report that are less than two years old and you have the money to pay it off now, mark the back of your payment check with the following notation: "Accepting this check is evidence that the transaction is complete and this charge will be deleted from my credit record." If necessary, you can use this cancelled check as proof of the transaction in the event the outstanding debt is not removed promptly and interferes with the closing of your loan.

