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“Your Best Interest Is My Priority”

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The Answers to the Quiz self on Credit Score:

1. Sorry to start out with what amounts to a trick question. But the correct response is false most of the time. Only if the account has gone into collections recently is it wise to pay it off. Older accounts should be left alone. Scoring Systems place the most emphasis on the most recent activity in your credit record. And paying off collection accounts, no matter their age, registers as recent activity. Consequently, the closer such a step takes place to pulling a credit report, the lower your score will be. If the date of the activity exceeds 12 months, leave it alone. If the mortgage lender requires you pay off an account in collections as a condition of obtaining funding, do so as a part of the closing process so it will not impact the score the lender will pull shortly before closing to make sure nothing detrimental has happened to your credit since the loan was first approved.
2. False. Closing a credit card could lower your score because the amount of revolving credit available to you will decrease. Rather than close an account, keep you balance below 30 percent of its limit. Credit scoring models rate debt utilization or the amounts owed, on your accounts, almost as important as payment history.
3. False. While lenders prefer borrowers have some cash reserves to tide them over in case of emergency, scoring systems look at credit only. People can improve their scores without any out of pocket expense by keeping revolving credit balances relatively low – again, less than 30 percent. Consequently, if you have maxed out one card and use 10 percent of your available credit on a second card, transferring part of the first cards balance to the second could raise your score.
4. False. All Credit accounts are not rated equally. Credit from finance companies will score lower than a bank card, travel or entertainment card, oil cad or auto loan. Ditto for payday loans, cash advance loans, check advance loans, postdated check loans or deferred deposit check loans. However, as long as a credit file contains an even mix of types of credit accounts, the impact of finance company accounts and the like on your score is relatively low.
5. False. More often than not, a credit counselor negotiates on behalf of the consumer to make a lower monthly payment on an overdue account. Even though the creditor agrees, it is not the same arrangement for which the consumer signed up originally. As a result, the payment more than likely will appear as late on the person’s credit report.
6. False. With the amount of fraud and identify theft taking place, everyone should check his credit report at least once a year, and Credit plus recommends twice. By law, you are entitled to one free copy annually. Go to www.annualcreditreport.com. The law does not entitle you to a free credit score, only a free credit report. And stay away from scores offered for sale over the internet. They are not mortgage scores they are consumer scores.
7. True. Different industries use different scoring models, so scores will change, depending on whether you are buying a house, purchasing a car or plying for insurance. Make sure your lender uses a score developed solely for the mortgage business. Others almost always are 50 to 60 points higher than the score developed solely for the mortgage business.
8. False – Finance company cards which typically allow borrowers to open a store account with zero interest for a year weight more heavily on credit scores. Worse, when you open the account the creditor sets your limit at the cost of your purchase, meaning the card is maxed out and well above the 30 percent balance you should strive not to exceed.
9. False. Generally, negative information remains on your report for seven years from the last activity. If it involves a bankruptcy, it can stay for as long as 10 years. The exception is a federal tax lien, the removal of which is determined by a prescriptive period.
10. False. Always use the same, full legal name. Being consistent will help avoid confusion with other borrowers with the same name s yours. Not all credit bureaus use social security numbers as the primary means of identification.
11. True. One reason for a low score is because there is not enough positive revolving credit in your report. Indeed, in many cases when positive credit is added, a score will increase.

I hope you scored well, but if not perhaps these answers will shed the light to improving your credit score.

Call me to assist you with your mortgage needs or refer me to someone you know that is going to buy or refinance their home in the next 90 days. Oh, by the way, I am never to busy for your referrals. Anna Babineaux

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