

How to Improve Your Credit Profile and Score

There is no magic to improving your credit score. Credit scores automatically improve as your credit profile gets better. Improving your credit profile is not always a quick fix, however. Here are a few things to remember:

- a) Pay down all your credit card balances to below 30% of the available credit balance.
- b) Do not consolidate accounts on to one or two cards and close other accounts. Low balances on a few cards are better than high balances on the one or two credit cards you still have left open. Consolidation of your balances will artificially skew the appearance of your credit utilization.
- c) Keep the number of credit cards you own to a conservative number, but don't close accounts without the advice of a knowledgeable mortgage broker.
- d) Review your credit report for accuracy at least 90 days before you intend to apply for a mortgage. Have any inaccurate information on your report corrected at the repository that is reporting the erroneous information on your report.
- e) Understand that paying off a collection account or judgment, for example, will not eliminate it from your credit profile. Paid or satisfied negative credit items will show a zero balance, but will not disappear from your credit profile for seven years - they still reflect a late or a collection account even if you paid it off.

How Does Credit Scoring Help You?

Credit scoring is not a crystal ball, but it helps lenders make more informed decisions and offers real benefits to the consumer.

1. Credit scoring evaluates all applicants by the same criteria. Opinions do not enter the scoring equation.
2. Changes in your credit performance will change your credit score. While "scoring scales" remain constant, your place on the scale will change as your individual credit patterns change.
3. Scoring speeds up credit decisions. Scores help lenders make decisions more rapidly, and often with less documentation.
4. Scoring helps make more credit available to the borrowing public. With more credit available, the cost of credit to you decreases.

**Credit scoring gives lenders an important piece of information that allows lenders to lend to MORE consumers.*

How Do You Correct An Error on Your Credit Report?

1. Ask for a Credit Dispute form from your mortgage broker.
2. Complete one form for each inaccurate piece of information on your credit report. Attach any documentation you might have to support your claim. Be sure to print your name, address, phone number and social security number on the form. Sign and date the form.
3. Mail the form to the reporting repository with a return receipt requested.
4. Per the Fair Credit Reporting Act, the repository has five days to notify the specific trade line of the dispute. Within 30 days, the trade line must complete its investigation of the item and report back to the repository with its findings and the need for modification or deletion, if applicable. If there is no response from the trade line, the repository must remove the item from your credit file. If a change is to be made to the consumer's credit file, the repository must notify the consumer in writing within five days.
5. After notification by the repository of the correction or change, a new credit report may be run to get a new score for underwriting purposes.
6. You can receive a credit report from each of the three repositories for approximately \$8.00 each or for free if you request one within 60 days of being declined for credit reasons.
7. Ask your mortgage broker about the rapid re-score resolution process if you have inaccuracies on your credit report.



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A Consumer's Guide to the Facts & Fiction About Credit Scoring and Its Role in Lending

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Choice For
Home Financing

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