



FICO:

Your first step to home buying

*"...the home buying process begins with your finances..."*  
**considering your credit score is a must..."**

## What is FICO?

Choosing a lender isn't the first step in becoming a homeowner. In reality, the home buying process begins with your finances. To become a homeowner, considering your credit score is a must, along with the type of loan for which you'll qualify.

A FICO score is a collection of your years of credit history based on an instrument developed by Fair Isaac and Company. The score ranges from 300 to 850, with the majority of people traditionally having a score of 650. In recent years, however, some people have seen their score drop dramatically because of loss of employment, delinquent credit card accounts, or credit card accounts closed by the lender due to inactivity. These are some of the considerations when deciding your FICO credit score.

<b>Credit inquiries</b>	How many times has your credit history been accessed by someone other than you?
<b>Types of credit</b>	Do you have a healthy mix of loans and credit cards?
<b>Payment history</b>	How often do you make late payments?
<b>Debt-to-income ratio</b>	How much you owe versus how much credit you have available?

*Staying on top of your FICO score is the best way to ease into owning a home.*

When you apply for a mortgage or any other loan, lenders want to make sure that extending a loan to you isn't a problem. Your FICO score gives lenders a view of what type of borrower you are solely because of your credit history. Because of the shift in the economy, most home buyers should have scores in the range of 700 or higher to get an acceptable interest rate. If your score is less than that, you can still qualify for a loan, but the interest paid over time could be more than double the amount of someone having a higher credit score.

## How do I improve my score?

You want a stronger score, but how do you get there? Building your FICO score takes time. It can be hard to make a significant stride change in your credit score with small changes, but your score can improve in a few years by monitoring your credit report and by wisely using credit. The most important thing is to know your FICO score.

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# Methods to improve your credit score

**Keep your cards active** — Whether you have older cards, or are just getting started with credit, be sure to use your cards so that your accounts maintain an active status. But, pay them off in one or two payments.

**Spread your debt around** — At first, this doesn't seem like a good idea. But, you want to avoid having one card that is maxed out, and having your remaining cards at a zero balance. It's better to have each of your cards at about 25% of their credit limit than to have the bulk of your debt transferred to a single card.

**Keep up with payments** — Payment history is a big factor in your credit score. It's where people who have recently been unemployed see the biggest hit in their credit score. Yes, it takes longer to rebuild your credit with payment history, but it's the most reliable way to show that you're able to make payments to a bank.

**Apply for gas or retail credit cards** — Retail and gas credit cards are ways to establish your credit history, increase your credit limits and stay on top of your payments, which will raise your credit. You should always avoid carrying a high balance because these accounts usually have steeper interest rates.

**Ensure your credit history is correct** — If you discover incorrect items on your credit report, contact the bureau requesting that the item be removed. If you have a common name or the same name as a family member, you'll want to pay extra attention to make sure the activity reported is correct.



Knowing the methods you can use to build up your credit score, you can move toward becoming a homeowner. Know that when you're ready to apply for a loan to purchase a house, you'll want to keep your credit inquiries within a two-week window to avoid damaging your credit score. With our help, the loan application process can be a stress-free experience so you, too, can achieve home ownership.

Learn more about FICO scores at [MyFICO.com](https://www.myfico.com), Fair Isaac's informational site. You can also review all of your credit reports for free each year at [AnnualCreditReport.com](https://www.annualcreditreport.com). And, for a small payment, you can get your FICO score from each bureau on their websites: [Equifax.com](https://www.equifax.com), [Experian.com](https://www.experian.com), and [Transunion.com](https://www.transunion.com).