



# CREDIT: UNDERSTANDING THE BASICS

Results Mortgage  
...When Results Matter

## What You Need to Know About The Importance of Credit

### YOUR CREDIT SCORE

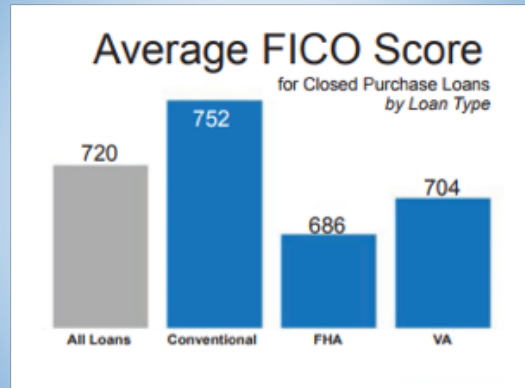
A credit rating or FICO score is one of the most critical pieces of customer information when applying for a mortgage. What is a credit rating or FICO score? The Fair Isaac Company (FICO) combines credit information and predictive analytics to forecast customer behavior via a FICO score. FICO gathers information from the three main credit repositories which are Equifax, Experian and TransUnion. This rating determines which products and interest rates can be offered. A credit rating is based on a credit report which collects information on:

- Debt Payment history
- Amounts owed v. amount available
- Length of credit history
- Age of credit
- Types of credit

FICO scores range from 350 to 850. Higher FICO scores can result in greater financing options which makes managing a FICO score very important. The best financing options typically begin in the range of 720 – 760. However, programs exist through the Federal Housing Administration (FHA) for customers whose FICO scores are above 580.

## Credit Score

-  Excellent
-  Average
-  Poor



Here is an approximate range of how credit scores are judged by FICO:

- Excellent credit = 720 and above
- Good credit = 660 to 719
- Fair credit = 620 to 659
- Poor credit = 619 and below

In 2003, new legislation was implemented which allows customers to obtain one free credit report per year. Customers can receive a free copy of their credit report once per year from **AnnualCreditReport.com**, which provides the reports from all three companies.

### CREDIT REPORT MANAGEMENT

Customers should review the report for errors and make corrections immediately. This is especially beneficial for customers seeking a loan.

Customers should know:

- Correct information can mean a better credit score
- Corrections can take time, for example, asking creditors for letters clarifying an error can delay the loan process.
- The credit agencies offer strategies and suggestions for increasing your credit score. i.e. keep balances low on credit cards