

BUYING A HOME

04/28/11

A Home Buyer's Story (Part 4): Checking Your Credit Score

By Kristin Offiler

Comments (3)

Like 21



It's not that we expected our credit scores to be perfect. But when my husband and I went through the pre-qualification process to buy a home we found out that identify theft had lowered Matt's credit score, and a mistake with an automatic transfer of his car payment one month had also negatively affected it. My score was pretty good, but by itself it wasn't enough to get us more in the house price range we were hoping for at that time.

Turns out we aren't alone in facing these kinds of credit errors. The U.S. Public Interest Research Groups, a consortium of advocacy groups, reports that 22% of credit reports list the same loan more than once. And that's not the only issue. About 79% of credit reports contain errors – and 25% of credit reports have errors serious enough to result in your credit application being rejected, according to the PIRG data.

Check Your Credit Score

The experience showed us how important it is to [check your credit score](#) and credit report early on in the home search process so that you can address any errors or make improvements. This was the first time either of us had pulled our scores and reports and really looked at them closely. There's definitely a feeling of nervousness that takes over when you're waiting for your loan officer to show you your score and report; it's almost like getting the results back on a test you aren't so sure you studied enough for.

Your [credit report](#) gives lenders an overview of your credit history. It lists the types of credit you use, how long you've been using them, if you stay current with your bills, and plenty of other information. Your [credit score](#) is a number that is generated from the information in your report and basically tells a lender how much of a risk you are with repaying debt. Credit scores range from 300 to about 850. The higher your score, the better. As a borrower, you want to make sure you've got the highest credit score possible so that you can get the best mortgage rates and so that you also know how much house you can afford.

Raising Your Credit Score

In addition to the identity theft issue my husband faced, we also found out about the automatic car payment error and how it affected Matt's score. The payment failed to go through one month, and Toyota reported it to the credit bureaus, even though Matt made the payment as soon as he realized what had happened. In addition to that, found out much later, when we were about to close on our house, that my credit report reflected an incorrect date of separation from my graduate program, which impacted our debt-to-income ratio, another factor lenders use to determine your loan amount.

The good news is that we were able to raise the amount we were pre-qualified for over time by addressing and fixing the errors on our reports. We were initially pre-qualified for a loan in the low \$100,000s, but over the course of about six months we improved our credit enough to qualify for a larger loan. Dealing with your credit can be frustrating, but it's worth it if you want to get the loan you're expecting.

Some things you can do to raise your score:

- Pay down revolving credits, such as credit cards.
- Be familiar with your report and score ahead of time so you can be proactive about making improvements.
- Use your credit cards sparingly and don't max them out. In fact, even if you pay your balance off every month, it can hurt your score if you wrack up too much debt on a card.
- Address any errors that show up on your report, like identity theft, student loan discrepancies, or banking errors.
- Dispute negatives like Matt's automatic car payment issue, especially if it was a mistake with an automatic transfer and was eventually paid. You can sometimes explain the situation to the company you were paying and have them remove the late payment from your report.
- Make payments on time. This may seem obvious, but the more bills you have, the more likely it is that you'll accidentally miss one or be unable to pay all of them every month. Making payments on time will only help your score.



Kristin Offiler is a freelance writer who recently completed a Master of Fine Arts in Creative Writing. She lives happily in her new home in the Northeast with her

Links

- [About Us](#)
- [Home Loans](#)
- [Mortgage Calculators](#)
- [Mortgage Rates](#)
- [Tools & Advice](#)
- [Blog Guidelines](#)

Post Categories

- Trends
- Saving Money
- Financing
- Foreclosure
- Government Programs
- LendingTree
- Products
- Buying a Car
- Buying a Home
- News

Top Posts

- Consumers Comparison Shopping for Many Things – but Not Their Mortgage [Infographic] **17**
- What You Should Know About the Mortgage Interest Tax Deduction **16**
- Government Raising Borrowing Costs for FHA Insured Loans **11**
- Tax Break Benefits When You Buy a Home **10**
- The Discipline of Fiscal and Physical Fitness **9**

Authors

Amber Nash (10)



husband and dog.

Read the rest of this series:

A HomeBuyer's Story (Part 1): [Deciding When to Buy](#)

A HomeBuyer's Story (Part 2): [Saving Money for a Home](#)

A HomeBuyer's Story (Part 3): [Getting Pre-Approved for a Loan](#)

Learn more about the importance of credit scores and credit reports, and how you can get yours in order in this [Credit Advice](#) section on the LendingTree web site.

RELATED POSTS:

- [Financial Literacy Pop Quiz #6: Credit Card Debt](#)
- [Budgeting for unexpected expenses](#)
- [A Home Buyer's Story: Buying a house, planning a wedding](#)
- [A Home Buyer's Story: Student Loan Debt](#)
- [3 Steps for Resolving Neighborly Disputes](#)

Keywords: [Buying a Home](#), [credit](#), [credit score](#), [personal finance](#)

3 Comments



from a person who signed up for multiple credit cards in college to get a free pair of oakleys and former debt collector: in terms of overall credit score, it's better to pay off credit cards in installments rather than lump sum payment. after paying off the balance in full, cut the card but do not close the account. closing multiple credit accounts could negatively affect your score.

also realize the three big credit reporting agencies (equifax, transunion, and experian) do not cross talk with each other about accounts which could impact what your actual score should be. before making financial decisions that require a long term financial commitment (car, house, etc) people should check their credit reports annually to ensure all information is correct and up-to-date.

Gerry V. April 28, 2011



Hi, Gerry. Great advice from someone with a perspective from both sides!

Thanks for reminding readers that it's good idea to check your credit reports annually to make sure there aren't any errors or surprises that could affect your credit score. Readers should also note that they are entitled to one free credit report from the reporting agencies each year.

Anna Cearley, Social Media Director at LendingTree/Tree.com

Anna Cearley May 10, 2011



Thanks for the advice Kristin! I'm in the very beginning stages of house hunting and have also come across some snags in credit issues that I never knew were an issue until now. Thankfully correcting them seems like an easy fix. Looking forward to see what other tips you have, as I continue through the process.

Sarah May 13, 2011

Leave a Comment

Your Message:

Name:

Email:

Website:

Angie Picarso (1)

Anna Cearley (48)

Cameron Findlay (48)

Craig Grella (63)

Elle Martinez (2)

Gina Pogli (30)

Jeff Kosola (1)

Jesse Michelsen (4)

Joe Totah, LendingTree Loans (1)

Karen Lawson (5)

Kevin Mercadante (3)

Kristin Offler (17)

LendingTree (92)

Lindsey Johnson (16)

Marcelina Hardy (30)

Matt Browne (2)

Megan Greuling (13)

Miranda Marquit (38)

Nicole Hall (18)

Peter Miller (1)

Punch Debt In The Face (5)

Ralph Miller (9)

WellHeeledBlog (8)

Wojo Kulicki (6)

404 Not Found

nginx/1.13.11

[ADD COMMENT](#)

Connect with Us: [Twitter](#) | [Facebook](#) | [LinkedIn](#) | [RSS](#)

Loans

Mortgage Refinance
Mortgage Home Loans
Mortgage Rates
Home Equity Loans & Lines of Credit
FHA Loans
Debt Consolidation Loans
Reverse Mortgage
Personal Loans

Credit

Free Credit Score
Credit Repair

Auto

Auto Loans
Auto Warranty
Auto Insurance

Advice & Articles

Advice & Articles
Lender Ratings & Reviews
Mortgage News
Glossary

Legal Info

Advertising Disclosures
Privacy Policy
Security
Terms of Use
Licenses & Disclosures

Tools & Calculators

Mortgage Tools
Mortgage Checkup
Mortgage Widget
Mortgage Calculator
Refinance Calculator
Loan Evaluation

Tree.com Businesses

Online Degrees
Home Loans
Insurance
Autos
Done Right Home Improvement

LendingTree Info

About Us
FAQ
News Releases
Partner With LendingTree
Careers
Contact Us

LendingTree technology and processes are patented under US Patent Nos. 6,385,594 and 6,611,816 and licensed under US Patent No. 5,995,947. © 1998 - 2009 LendingTree, LLC. All Rights Reserved. This site is directed at, and made available to, persons in the continental U.S., Alaska and Hawaii only. Conversion to LendingTree, LLC

REALTOR © – A registered collective membership mark that identifies a real estate professional who is a member of the National Association of REALTORS © and subscribes to its strict Code of Ethics.