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BUYING A HOME

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

By Kristin Offiler

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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.

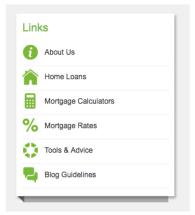
 Address any errors that show up on your report, like identity theft, student loan discrepancies, or
- Dispute negatives like Matt's automatic car payment issue, especially if it was a mistake with an automatic transfer and was eventually paid. You can sometimes explain the situation to the company you were paying and have them remove the late payment from your report.

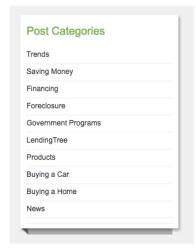
 Make payments on time. This may seem obvious, but the more bills you have, the more likely it is
- that you'll accidentally miss one or be unable to pay all of them every month. Making payments on time will only help your score.



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

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	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
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