

# the Mortgage Bulletin

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## What's your sign?

That was a common question in times past, enabling, for example, a single male Scorpio to start a conversation with a single female Taurus. Today the question should be “what’s your score?”

Mortgage lenders could care less about your astrological sign, but they care greatly about your credit score. All borrowers’ scores count. As noted in previous Bulletins, one point can make a difference in determining (among other things) rate, loan amount, and loan product.

So today, we give you the top ten ways to have as high a credit score as possible.

**Number One:** Pay all of your accounts on time: maybe not on the date due, but it will count as a late payment if it is over 30 days late. The more recent the late payment is the greater impact on your score.

**Number Two:** Keep balances on credit cards and other revolving debt below 30% of the credit limit. Balances of 30% are good, 50% are OK, 75% are not so good, and 100% will have a negative impact.

**Number Three:** Have at least three credit lines open. This is a fairly standard lender guideline. Borrowers with only one card may think that shows restraint – and it does. But it doesn’t show credit history and credit history is important.

**Number four:** Use your credit accounts two or three times a year. Activity shows history of making payments as agreed and that’s good for your score. Lack of activity can cause the creditor to cancel your account. And if it’s an old account, that’s not good for your score as is more fully explained in Number Five, below.

**Number Five:** Do not cancel old credit accounts. Length of credit has nearly the same impact on your score as paying accounts on time. An account you’ve had for ten years is good. So it would be a

shame if inactivity results in cancellation and a hit on your score.

**Number Six:** Do not open new accounts in the weeks leading up to applying for a mortgage. If you must, talk to your loan consultant before doing so. New extensions of credit can have a negative impact on your score.

**Number Seven:** Do not pay off a collection account or lien if you are contemplating applying for a mortgage. Credit scoring is “blind” and does not distinguish between a collection or a lien being filed or being paid off. It considers only “action related to a collection or lien.” And the more recent the action, the greater the negative impact on your score.

**Number Eight:** Be very careful about medical bills and mobile phone bills.

Delays in insurance payments for medical bills are commonplace as are disputes between customers and mobile service providers. These delays and disputes frequently lead to accounts being turned over to collection agencies. The two “M’s”-- medical and mobile – are notorious for filing collections quickly and the amount doesn’t count. \$40 is as bad as \$40,000.

**Number Nine:** Read all mail from your creditors. If you are notified that your limit is being reduced try to get it restored. If the new limit changes the balance from 25% to 80% of the limit, your score takes a hit.

**Number Ten:** Monitor your credit. Get an annual credit report; it’s as important to your credit health as an annual physical is to your medical health. There are several firms that do this. MyFico.com not only monitors your score and reports score changes but also the site has loads of information about scores and credit.



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