

## **Your Credit Report and Your Mortgage**

Whenever you request credit, including a mortgage, your prospective lender reviews your credit report. Because it's an important factor in your lender's decision to extend credit to you, you need to review your credit report regularly and understand the information it contains. If your report contains information that is erroneous and misleading, you need to know how to get it corrected.

### **What Information Your Credit Report Contains**

Before attempting to correct any errors on your record, it is first important to know what kind of information you may expect to see on a standard credit report.

#### **Identifying Information**

Items such as your name, any aliases, current and previous addresses, social security number and possibly marital status. You should verify that these are accurate and up-to-date.

#### **Merchant Trade Lines or Credit Lines**

These include all regular installment or revolving credit lines such as department store charge cards, auto loans, mortgages, and credit cards. Information regarding each account including, date account opened, beginning balance, current balance, and number and frequency of late payments will also be documented. It should be noted that not all credit accounts may be listed on your credit report since not every credit grantor reports to the same credit bureaus. For a thorough review of your credit file, you should look at information from all three major credit bureaus.

#### **Court Records**

Court records include bankruptcies, judgments, satisfied judgments, liens, satisfied liens, and divorce.

#### **Inquiries**

Each time you apply for credit and a potential credit grantor looks at your credit file, an "inquiry" appears on at least one of your credit bureau files. Inquiries can also appear when an existing credit grantor reviews your credit periodically (to increase your credit line, etc.), or when you review your own credit report. These requests for your credit report are noted as part of your credit history file and can remain for 24 months.

#### **What's Not Included**

Your credit report will not include information about your race, salary history, religion, checking or savings accounts, stocks and bonds, medical history, personal assets, criminal record or personal background and lifestyle.

#### **Correcting Your Record**

When you apply for credit, lenders review your bill paying history, your outstanding debts, the current number of your creditors and the outstanding balances you owe them. If your credit report shows patterns of late payment, overextended credit, liens and garnishments, foreclosure and/or bankruptcy, your chances of being turned down increase.

But your credit report shouldn't always be taken at face value. Credit bureaus record billions of transactions - including yours - every day. Given that huge volume, it's not surprising that reporting errors can happen. That's why the accuracy of your credit report depends so much on you. If a credit bureau reports unfavorable information about you and you can show that the information is inaccurate, the bureau is obliged to remove it from your file. At the same time, you can also request that the bureau send notification of the correction to all the creditors - including your prospective home financing lender - who have received a report on you in the last six months.

If your credit information is unfavorable, you should check transaction dates to be sure the report is up to date. A creditor may need to verify that you've taken steps to resolve the problem since it was originally reported. If you've brought your account current, the credit bureau is obligated to reflect your change in status.

### **TIP: IDENTITY THEFT, PROTECT YOURSELF**

Unfortunately, today identity theft is on the rise. It is worth your time and effort to protect yourself. Here are some things you can do to safeguard your credit:

- Shred any paperwork containing personal information including, credit card receipts, paystubs, bank statements, ATM receipts, utility bill stubs, old tax returns, and anything containing your Social Security Number.
- Order a copy of your credit report at least once a year and review it to be sure that all credit lines and inquiries made can be accounted for.
- Secure important documents in file cabinets or safety deposit boxes.
- Take your name off mailing lists by contacting the Direct Marketing Association, and request that three major credit bureaus remove your name from their mailing lists.

### **How to Check Up**

Your credit report tells lenders a great deal about you. And as the old saying goes, "It's better to know" what your credit report says about you before you apply for a mortgage. You can speed up your loan process by obtaining your credit report immediately. Get in touch with one or all of the three credit bureaus that supply reports to lenders: ([Experian](#), [Equifax](#) and [Trans Union](#)). Once you have obtained a copy of your report detailing information from all three major credit bureaus you should provide each of the bureaus with a written request to investigate the status and correct any outdated, inaccurate or ambiguous information.

It is also a good idea to write to the credit grantor reporting the inaccurate information, including copies of any backup paperwork you may need to provide, e.g, a letter from a creditor stating that your account is clear, or canceled checks for payments you made. It is very important that each questionable item is dealt with individually. If you attempt to have the credit reporting agency correct several items (or even all items) at once, the agency may claim that your request is frivolous or irrelevant. When disputing items on your credit report, make sure that you retain copies of your credit report and your dispute letter. Mail the letter as Certified, Registered, or Return-Receipt Requested, and retain a copy of the return receipt when you receive it.

The Fair Credit Reporting Act of 1997 requires the bureaus to validate the information as accurate or remove it from your credit report. In most cases, there is a 30-day limit for the credit reporting agencies to resolve these disputes and you'll receive written notice of the investigation results within five days of its completion.

### **Credit History: One Part of the Big Picture**

When you order your credit report, keep in mind that your lender has a sense of proportion. We realize that everyone, at one time or another, has had trouble making a payment on time. Late payments under 30 days should not automatically disqualify you from getting a mortgage. We also understand that many people may find themselves in difficult financial situations due to illness, divorce, or temporary unemployment.

Although your credit history is important, it's still just one factor in our decision to approve your mortgage. If you can demonstrate that your credit problem is in the past and you've been able to re-establish a good track record, speak to us openly and honestly about your situation. We're happy to work with you to evaluate your current credit profile and determine what home financing options best suit your particular needs.