O'DETTE MORTGAGE GROUP

Teresa O'Dette
President, Mortgage Consultant
teresa@omglenders.com

Ephraim Schwartz
Partner, Mortgage Consultant
ephraim@omglenders.com

CREDIT HEALTH

1. **Review your credit report for accuracy:** This is the easiest and most basic step in trying to improve your score. Request a free credit report from www.annualcreditreport.com, and then review it to make sure your bank accounts, any late payments, and all other information is listed correctly. If not, report it immediately to the proper bureau. They are required to respond within a month.

2. **Pay your bills on time:** Just one late payment can reduce your credit score and affect the interest rates you pay on current and future accounts. Keep accurate records and pay your bills on time. These are reported in 30-day cycles so you should check your score at the least once a month.

3. **Keep credit card balances low or pay down high credit card debt:** The amount of credit card debt you carry in relation to your total credit limit is called your utilization rate. The lower your rate, the better for your credit score. Best Case: KEEP BALANCES BELOW 30% OF AVAILABLE TRADE LINE. 50% is another *scoring* benchmark.

4. **Avoid Derogatory Records:** Late payments, collections, and charge-offs will lower your overall credit score and can remain on your credit file for up to 10 years. If you are concerned, consider alternatives such as a debt consolidation loan before you miss that first payment. Once the negative marks are part of your file, only time can remove them.

5. **Utilize the 100-word credit bureau statement:** This is a little known way to help improve your credit image. Under the Fair Credit Reporting Act, consumers can add 100 words to their credit bureau file. A well-crafted statement about you unique circumstances or credit worthiness could positively influence a lender. But keep in mind that lenders could still bypass this statement and only consider your score.

6. **Avoid excessive shopping for new credit cards:** A number of inquiries for additional credit looks bad on a credit report. Those inquiries that result in a hard credit pull will also lower your actual credit score. Be sure to research credit cards or loans first and apply only to those that are necessary and for which you are qualified.

7. **Avoid retailer credit cards:** Retail credit cards can be useful for high credit score customers in search of discounts, but for most customers they are a bad idea. These cards limit purchasing to a specific retail outlet, and the fees are higher interest rates charged for missed payments are often higher than normal credit cards. This can effectively wipe out any discounts offered through the card.

8. **Don't put your credit in a drawer:** Many consumers concerned about their credit make the mistake of freezing spending. This can have a negative impact on your credit score because bureaus look for consumers that use credit responsibly. By ignoring your credit, you are not giving lenders current data to consider as a counterbalance to past negative factors. Be sure to use cards at least once every six months and pay off balances. Ideally: PAY OFF ALL CARDS, THEN USE EACH ON LUNCH ONCE A MONTH.

9. **Maintain old lines of credit and accounts:** Bureaus consider a long-standing credit line to be a positive factor in your credit score. Even if you no longer use a card or line of credit, keep it open. Closing it could have a negative effect on your score. You should also consider using it once every six months to show activity. IDENTIFY YOUR OLDEST OPEN TRADE LINE. NEVER CLOSE IT. USE IT. BELOW 30% OF TRADE LINE. ALWAYS PAY ON TIME.

10. **Protect yourself from identity thieves:** Monitor your score monthly for fluctuations that might indicate identity theft. Also be sure to look at every piece of mail you receive and shred those with sensitive information or credit card offers. Identity thieves can ruin your credit score in a matter of minutes.