

Consumer credit tips

Understand how your credit history can affect your home purchase



There isn't a class offered in high school to prepare us for our credit future (though there should be), so we built this. Being credit prepared will (hopefully) make your home buying journey hassle-free.



The application process

When you apply for a mortgage, your broker sends your application to lenders they think will offer you the best rate. The lender then assigns an underwriter, and their job is to assess if you are a good mortgage candidate. This is done by assessing your credit history and other factors.

The credit report

The credit report will establish some important trends which underwriters will use to assess your risk level. Underwriters want to see not only that you have the ability to pay your debts, but a willingness to pay. The credit report shows how you have handled your debt obligations in the past.

Debt history

Chronic missed payments are considered risky and missed mortgage payments are detrimental to an application. Be up front with your broker if you've had any; they'll work with the underwriter on your behalf.

Handling credit accounts

The more trade lines you can manage, the better a credit risk you are, but only to a certain point. Once your credit is maxed, it becomes a red flag. Keep up with your cell phone bills as they report to your credit bureau. Be aware of your credit limits. Pay your minimum payment every month; interest charged for unpaid balances carries over and adds to your new balance. This can put you over your limit without even realizing it.

Repeated inquiries

Continual inquiries from credit card or payday loan companies aren't what lenders want to see as it indicates a sudden need for credit. Don't apply for credit when you're trying to buy a home. Your broker can advise you on how to handle this.

Isolated credit trouble

Credit trouble happens. You're human and we understand. If your credit dropped due to a layoff, but the credit was solid beforehand and you're back to work, the underwriter may look past this isolated event. Talk to your broker about your credit history and be honest; the broker is going to share your story with the underwriter. An open and honest relationship with your broker will help you get that mortgage.