



A Homebuyer's **Guide to Credit**

How to Establish and Build Your Credit When Buying a Home

Hamilton Home Loans

A Refreshingly Simple Experience

NMLS: 200719

(844) 819-4303 | **Toll Free**

(954) 241-2800 | **Direct**

teamhamilton@hamiltonhomeloans.com

Hamilton Home Loans, Inc.

1551 Sawgrass Corporate Pkwy Suite 300

Sunrise FL 33323

Lender NMLS: 200719



Hamilton
HOME LOANS



Establishing Your Credit

There are things you can do to establish credit and raise your credit score.



Apply for a Secured Credit Card

- Secured credit cards offer many of the same benefits as traditional credit cards, but they are typically easier to qualify for if your credit history is poor or non-existent.
- With a secured credit card, you're required to make a deposit, also known as a security deposit, to receive a line of credit. The amount you deposit usually becomes your credit limit.
- A secured credit card is similar to other cards in that you receive a credit limit and incur interest charges on your balance, and you may even earn rewards.



Apply for a Credit-Builder Loan

- A credit-builder loan is a forced savings program of sorts, to help people who have little or no credit history.
- With a credit-builder loan, the borrower makes fixed payments to the lender and then receives access to the loan amount at the end of the loan term.



Make All Your Payments on Time

- Your payment history makes up 35% of your FICO score and is reviewed by lenders for loan applications.
- Set up automatic payments.
- If you miss a payment, contact the lender or bill provider as soon as possible. Only late payments over 30 days are reported to the credit bureaus. The later the payment, the more it will impact your score.



Become an Authorized User on a Family Member's or Friend's Card

- As an authorized user on someone else's card, you can piggyback off the primary account holder's credit to establish your own credit history. Some mortgage programs require proof you are making payments on the card before counting the score.
- As an authorized user, you can receive a credit card in your name that's linked to the primary cardholder's account.
- The primary cardholder does not need to grant you permission to use the card, or share card information with you. Simply being an authorized user is enough to boost or establish credit.
- Before becoming an authorized user, make sure your family member or friend has good credit. You don't want to become an authorized user on an account that has maximum debt or a late payment history. Those negative actions will counteract your attempts to build your credit.



Monitor your Credit

- Credit scoring companies typically require at least six months of credit history before they will calculate a consumer's credit score.
- Building your credit is a marathon, not a sprint. Good financial habits are established over time. Check your credit report regularly and dispute incorrect information with the credit reporting agency.

Building Your Credit

Each credit bureau scores consumer credit data slightly differently. FICO scores are made up of the following:

1. Payment history (35% of your score):
Whether you've paid past credit accounts on time
2. Amounts owed (30% of your score):
The amount of credit you are using
3. Length of credit history (15% of your score):
How long you've had credit
4. New credit (10% of your score):
Frequency of credit inquiries and new account openings
5. Credit mix (10% of your score):
The mix of your credit, retail accounts, installment loans, finance company accounts and mortgage loans



Here are some tips that can help you improve your credit score:



Pay outstanding collections

Use a credit simulator tool to help you determine the effect your collection account is having on your credit score. When an account is paid in full, ask the collection agency to delete it so it's as if it didn't happen in the first place. Doing so can have a significant impact on your score.



Keep balances under 30%

You can control the amount of credit card debt, or revolving debt, you owe. It's important to keep your credit utilization under 30%. Under 20% is even better. Keep in mind a small balance on your credit card that you pay regularly can be better for your credit score than a zero balance.



Pay your bills on time

If you had a late payment in the past, check your credit report regularly to see if it's still affecting your credit score. Although a late payment stays on your credit report for seven years, its effect on your credit score lessens over time.



Plans to Improve **My Credit:**



Hamilton
HOME LOANS

A Refreshingly Simple Experience