your complete guide to the

LOOKING TO BUY A HOME AND HAVE POOR CREDIT...

presented by:

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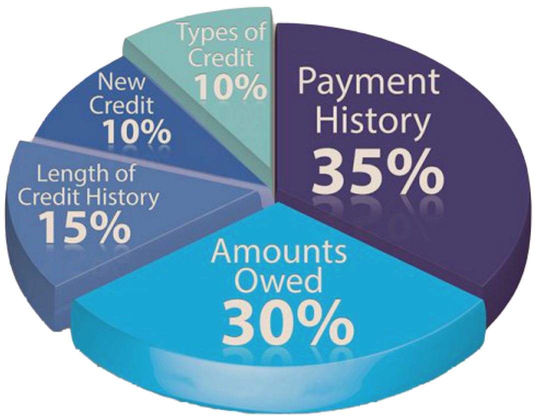
YOU'RE ABOUT TO EMBARK...

on the journey of your

CREDIT REPORT

Dear home buyer,

When you're finally ready to become a homeowner; it is certainly an exciting and anxious time! The last thing anyone wants to do is find out last minute that there is a blemish on their credit report that cannot be resolved quickly enough to close on your dream home in time.



Your credit report is your opportunity to show your credibility to your lender. It serves as a reference of the liabilities you have paid in the past and present. Your credit report is heavily considered with your approval because it gives an indication as to how you treat the responsibility of paying items you're liable for.

If you have 0 previous derogatory marks, and you have 3-4 tradelines that you have been paying on time for 24 months; your credit should be in good shape. There is no question that everyone's situation is unique in many ways. Understanding how information on your credit is evaluated can "make you" or "break you".

XO,

Sheila Deasy

SO YOU DECIDED

You might have a Credit Issue....

If you can anticipate issues that you may encounter; you're really putting yourself a step ahead of the game. Below are a few explanations of common terms to help decipher what a credit report shows.

DEFINING & *Understanding*

Score

There are loan programs available that allow you to buy a home with a credit score below 640. However, the objective is simplicity. So with that in mind; a good goal would be to make an effort to be at 680 or higher as a middle score (as reported by Experian, Equifax, and Transunion). Anything 740 and higher i**s considered excellent**.

History

The history on your credit report is just as important of a factor as your credit score. Anything derogatory in the last 10 years is likely to be available to the eyes of the lender.

Tradeline

Any recurring debt that is reported by the credit bureaus on your credit report is a tradeline. Examples include but are not limited to car loan, student loan, personal loan (from bank), home loan, and recreational vehicle loan. Rent payments (although important to keep record of and pay on time) and utility bills are examples of liabilities that are typically not reported on credit reports.

Debt-to-income Ratio (DTI)

Your lender will use your credit report as a starting point to help determine what your debt to income ratio is. Your lender will take into account the liabilities that show on your credit report, and compare that with how much your verifiable monthly income is. Of course your new mortgage, property taxes, property insurance, and mortgage insurance (if applicable) will be factored into the equation. You certainly can expect any child support, alimony, and 401k loans to be factored into your debt as well.

Example: Mr. Homebuyer has 3 credit cards that total 100/month, a mortgage of 900/month (including taxes and insurance), and makes 4,000/month. Mr. Homebuyer's debt to income ratio is .25 (or 25%). Debt / Income = Debt to income ratio. To keep things simple you want to aim to be below 43% debt to income ratio.

Derogatory Items

Derogatory items that show on your credit report will hurt your scores, and create challenges when getting a mortgage. Late payments, collections, tax liens, bankruptcies, foreclosures, short-sales, and repossessions are some examples of derogatory items that can be found on your credit report. The more recent those items have been reported; the more negatively your scores will be affected. Here are some of the most common issues and tips on how to address them.

A COUPLE OF *Credit Tips*

Don’t overextend your credit limits.

If your credit cards are pushing their limits, then this can be a red flag for lenders. Try to keep your credit card account balances below 35% of your available credit limit. This may keep you from looking overextended.

Keep in mind that lenders may take other factors into account when considering you for a loan.

For example, it may help your chances of buying a home if a lender is aware of a past financial hardship you have since recovered from.

Lenders also look at factors besides your credit score to determine if they’ll approve you for a loan. Some of these things include:

- *Low loan-to-value ratio*
- *Low debt-to-income (DTI) ratio*
- *Length of credit history*
- *Employment history and income*

Positive marks in these areas may impact a lender’s decision if your score is low. However, improving your credit score will give you a better chance of securing the loan you want.

BOOSTING
Your Credit Score

Tips to Improve Your Credit Score to Buy a House

If your credit score isn't up to par with what is needed to take out a home loan, you should consider taking steps to raise it. This can range from paying off outstanding debts, making a plan to get up to speed with your current debts, or partnering with a credit repair firm to remove any discrepancies on your credit report.

Take a look at these tips below to learn how you can quickly improve your credit score:

Pay Off Outstanding Debit

Getting your debts down is important to help lower your DTI (debt-to-income) ratio. Although DTI ratio does not directly affect your credit score, it's a good idea to get it down for two reasons. First, as we've mentioned earlier, DTI is a deciding factor for lenders when granting loans. Prospective home buyers should have a low DTI to secure a home loan. Most Qualified Loans have a max DTI of 43 percent.

The higher your DTI, the riskier you appear to a lender. Second, it helps bring down your credit utilization if your debts lie with things like loans or credit cards. A lower credit utilization will help raise your credit score. When applicable, send a pay for delete letter to get negative information removed from your credit report. Otherwise, you'll have this information on your credit report (and negatively impacting your credit score) for up to seven years.

BOOSTING
Your Credit Score

Debts Get Up To Speed with Payments

Late payments also negatively affect your credit score. Make a financial plan to catch up and stay caught up with your payments. Consider different payment strategies like the avalanche method and snowball method to effectively pay off your debt. Depending on your situation, you may also want to consider consolidating your debts or settling some of your debts.

Check Your Credit Report for Errors

The FTC found in 2012 that one in five credit reports contained errors. This is why you should periodically review your credit report for any erroneous items. These mistakes add up and drastically impact your score if not removed. You have every right to dispute your credit report whenever you find inaccurate information.

Credit Score Ranges

300-529 *Bad*

530-689 *Fair*

690-719 *Good*

720-850 *Excellent*

FAQS
As info...

Is Paying off my loan early better than making payments?

The answer to that question is not necessarily, it's really a “catch-22”. The length of time you’ve had your accounts open is approximately—fifteen percent—of your score. While it may be good for your personal finances to payoff a loan early, it doesn’t really help your credit score over the long term. You see, an open account, in good standing does more to boost your credit score than a closed account. The reason for that is this, an open account shows that you are consistently good at handling credit wisely. Whereas a paid account only shows past good payment behavior and that becomes less and less predictive of future credit habits.

Will paying a delinquent account current restore my credit score?

The short answer to that question is, no. Most derogatory information such as late payments, collection accounts, charged-off accounts, tax liens, repossession, and judgments stay on your credit report for up to seven years. If you’ve filed for bankruptcy, that information can stay on your report for up to 10 years. Nearly—thirty-five percent—of your score is determined by whether a person pays his/her bills on time. If you have had anything from missed payments to bankruptcy on your credit report, it’s important to remember that there are no quick fixes. Try not to focus on past mistakes, instead focus on consistent good payment behavior going forward. It’s simple advice, but it’s true: make at least the minimum payment every month on time and you will see your credit score climb.

FAQS
As info...

Will opening a personal loan improve my credit score?

The type and mix of credit makes up about— ten percent —of a score. The healthier the mix of credit, the more your score will grow. An installment loan, such as a car loan, does help to show diversity of credit. Just by having a personal loan, with an on-time payment history, you will see your credit score gradually and steadily rise.

Remember, good credit is no accident – it's a continuous process.

Now you know the tips to make that process work for you!

Credit glossary word of the day...

CHARGE-OFF: A debt that is declared by the creditor as being noncollectable. This means the lender considers the money it loaned to the borrower is lost. Lenders use this as a last resort, once all collection efforts have failed. A bankruptcy filing often results in several accounts becoming charged-off. Charge-off's usually lower credit ratings. Also known as bad debt, charged-off account, charged-off balance, charged to loss, charged to profit and loss.

LOANS
The Basics

Type of Loan - Typical Minimum Score
What is It?

FHA Loan - 580

A loan insured by the Federal Housing Commission, popular for home buyers with poor credit or little savings

FHA 203K Loan - 620

A loan to finance the cost of renovation in addition to the purchase cost

Conventional Loan - 620

A loan not backed by a government entity

VA Loan - 620

A loan available to Veterans and partially backed by the Department of Veterans Affairs

USDA Loan - 640

A loan eligible for rural and suburban home buyers

BOTTOM LINE

There is hope...

Mortgages are tough to get approved for these days. Ever since the major housing and mortgage crisis over a decade ago, lenders have become incredibly stringent with their lending criteria. No longer are borrowers able to take out exorbitant loan amounts with minimal documentation like they did back when the mortgage crisis was just starting to grow.

Having a healthy credit score makes it a lot easier to get approved for a home loan, not to mention the fact that interest rates for high-score borrowers tend to be lower. But does that mean it's impossible to get a mortgage with bad credit? Absolutely not.

See these 8 'Suggestions for Success':

1. Check Your Credit Score
2. Work With a Lender That Specializes in Bad Credit Mortgages
3. Consider an FHA-Backed Mortgage
4. Get Pre-Approved For a Mortgage
5. Request Seller Financing
6. Make a Larger Down Payment
7. Get a Co-Signer
8. Make Improving Credit Score a Priority

The Bottom Line

Just because you have bad credit doesn't mean your chances of buying a home and getting a mortgage are quashed. There are still options available specifically for borrowers with a poor credit rating. While it might not be a simple task, it's certainly not out of the question. Work with a bad credit lender and take measures to boost your credit score. Taking the right steps can help you secure a mortgage and realize your dreams of home ownership.

01. *when in doubt* WRITE IT OUT

I've personally found it easiest to help determine what Credit Concerns I may have if I write it out. Write out your income, your debts and your potential derogatory comments. Then review you credit history to make sure it matches.

my current Credit Score is...

my current income (all sources)...

my current debts are..

02. *make a plan*

PLAN NEXT STEPS

Now that you have taken a look at your debts and your credit report, make a plan of attack. Determine if there are any errors on you credit report, any payments that are behind, accounts you can close, etc. Now plan your next steps.

the things are affecting my credit score are...

my next steps to repair or rebuild my credit score are..

03. *Now start* DREAMING

Now that you've got a plan, here comes the fun part. Think about what you need in a house, what you want in a house and what you would love to have in a house. Then determine where you want that perfect house. Always keep in mind what you can afford and what your budget will support without turning a house from a blessing into a curse.

what do we need in a house...

what areas of town would we like to live in...

04. CREDIT REPAIR TIPS
to increase your credit score

1 *Set Your Budget*
Make a change and set a budget that fits your income. Of course, the most important part is to stick to it. Make a list of all the expenses you have and the amount you will spend on them. Many times you spend less overall just by creating a budget for yourself.

2 *Track Your Spending*
Tracking every dollar you spend for a short period of time will educate you on where your money is going. It will open your eyes as to how spending even small amounts of money adds up over time and may require credit repair services. Tracking your money will also identify areas of spending that may otherwise go unnoticed. Track your spending for a full month using a free online software service like www.Mint.com, or an Excel spreadsheet or notepad. Knowing that you're tracking spending can provide you with valuable information about your spending patterns, and may reduce your spending.

3 *Make Lists of Expenses*
In addition to setting your budget, make a list of the fixed expenses (ie – rent) and variable expenses (ie – clothes) you need to buy for the next couple of months. Include all your expenses on your list. Take the list with you when you go out to help you stay focused and avoid impulse purchases.

4 *If You Use Credit, Pay it Off in Full*
The rule of thumb should be that you never use more on your credit card than you can pay off in full that month. Many people will see something on sale that they really want but don't have the cash for. They use a credit card and then pay interest on the balance because they can't pay it off. Now that "sale" item probably cost more than full price. It never helps your credit score to carry a balance, so why pay interest? It's better to hold off until you know you have the cash in hand to purchase that item and save your credit limit for emergencies. Plus, doesn't it feel more rewarding when you've saved up and earned that item, rather than making an impulse buy and having debt regrets later?

05. CREDIT REPAIR TIPS

to increase your credit score

5 *No Credit Equals Bad Credit*

You need credit accounts to be reporting to your credit report in order to improve your credit score. You must have at least 1 open revolving account, even if you have no negative accounts. In addition, this revolving credit account must have been used in the last 6 months. There are a couple of ways to get credit to improve your credit score in 30 days. One way is opening a secured credit card, with a preference being given to a card that reports as an unsecured card with your credit limit to all 3 bureaus. The other way is to add yourself to a seasoned trade line. Someone with good credit history can add you as a co-signer, where you are equally responsible for all debt. Or, they can add you as an authorized user, where you are not responsible for any of the debt – and Mortgage FICO 5 will count the history as yours.

6 *Remove a Late Payment*

Removing a late payment will take persistence. There are a couple of ways to request a removal. The most common and effective way is to call the original creditor and ask for a goodwill adjustment. If they resist, you can even negotiate the removal of the late payment by agreeing to sign up for automatic payments. For other late payments, you can file a dispute against the late payment for inaccuracy.

7 *Make Your Monthly Payments on Time*

If you have an issue with lenders reporting you a day or two late, call them to see if they can change your on-time payment. This could be offered to you if you are not a frequent offender. The other option is to remove a late payment. You can try to file a dispute against the payment for inaccuracy. You can also call the original creditor and ask for a goodwill adjustment. If they do not allow you to add the adjustment you can negotiate by asking for automatic payments. This will show your interest in keeping up with monthly payments. The good thing is that the impact of past credit issues fades as time passes. Try to keep up with good payment patterns so your report will show you are handling your credit well.

06. CREDIT REPAIR TIPS
to increase your credit score

8 *Raise Your Credit Limits*

Call your credit card companies and request a raise to your credit limits. Ask if they can raise your credit limit with a soft pull of your credit since a hard inquiry will appear under the "New Credit" category of your FICO score. If you can negotiate an increase of your credit limit with a soft inquiry, then you will instantly decrease your revolving balance ratio (revolving balance divided by your credit card limits).

9 *Charge Small Amounts to Inactive Credit Cards*

It's easy to neglect older credit cards when you have a primary credit card that you use every day. If your credit cards haven't had activity in the last 6 months, charge a small amount to the credit card. Creditors want to see that you are using the credit available to you (and paying the balances off responsibly). Charging a small amount and paying off the balance shows that you have a different mix of credit in use, which makes up a portion of your FICO score.

10 *Authorized User Option*

Another easy way to build credit fast is to ask someone to be an authorized user on their credit card. When asking someone to add you as a user you can tell them that authorized-user cards do not require a credit inquiry, which means their credit score will not suffer. If that person trusts you, you can ask to be authorized on multiple accounts. Make sure these accounts have the highest credit limits if you want to increase your credit score the most.