

Home Financing

Credit: Know the Score

A good credit history is more important than ever. Solid credit keeps down the cost of consumer financing, and it can be the deciding factor in whether an auto or home loan application is approved.

In today's fast-paced, high-tech age, your credit history will be reviewed more often by artificial intelligence than human intelligence. This computerization has made the loan process much more efficient. That's a good thing. But computers take all the subjectivity out of credit evaluation, and that means you have to take ownership of your own credit standing to make sure you're not blindsided by any stain on your record.

It is important that everyone know his or her credit score. Everyone is entitled to one free credit report a year. There are three credit bureaus that can show your credit profile to you...

Experian at www.experian.com, Equifax at www.credit.equifax.com, and Transunion at www.transunion.com. Fairly frequently, erroneous information appears on a credit report. This can take a few months to correct, which might mean the difference between being able to purchase your dream home or not.

Credit scores usually range between 400 on the low side to 800 on the high side. On rare occasions these ranges can be exceeded. Sometimes a score cannot be obtained for factors like

lack of credit history or too few lines of credit.

If you know your score, then you can see what the creditors see and have the ability to get a jump-start. Here is a quick breakdown of what a credit score means to a creditor:

720 & over	Wonderful, you are at the top. Best rates and terms.
700 - 719	Excellent score. You are a very desirable borrower.
680 - 699	Good credit. You should be in strong shape to buy.
660 - 679	Okay credit. Don't look for other exceptions.
640 - 659	Borderline. Okay if everything else is strong.
620 - 639	Weak. The rest of your file must be perfect.
600 - 619	Difficult. Needs some work or a special program.
Below 600	Trouble. Try to fix up your credit.

Borrowers with scores over 700 can usually be granted exceptions for other problem areas like new employment or frequent job changes. These borrowers can get the benefit of extended qualifying ratios to help them obtain a loan. This is a big plus not only

in getting approval but also in avoiding the more costly "no income verification" option.

If you would like to improve your credit, there are a few things you should know. An easy way to start is by increasing your credit limits. If the ratio between the amount of credit you owe and the maximum credit limit increases, the computer views it as a plus in scoring.

Try to avoid frequent inquiries into your credit history. This can trim your score a few points. The good news is that the negative effect of multiple inquiries only lasts about 30 days.

Keep in mind that you have a right to an error-free credit report. For instance, if your profile shows a late payment without a specific month of delinquency, that item can be removed. This is a great tool, but you need to check your credit and make the requisite contacts.

Remember, it may take a couple of months for your credit score to reflect the changes. Each of the three credit bureaus report a score, so in essence you will get three scores for your credit. And creditors usually take the median of the three scores.

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