

Your Credit Score

A credit score is derived from a model that analyzes a number of variables from a consumer's credit files to determine the likelihood that the applicant will repay the loan on time. The scoring system is developed from a statistical analysis of variables that historically have been reliable in predicting satisfactory loan repayment. Among factors considered are: delinquencies and late payments (both the frequency and severity), outstanding debt (the number of balances reported by creditors and the average balances), credit history, and types of credit in use (including installment loans and credit cards of all types).

Several companies provide credit-scoring models used by lenders. One of the most widely used is the Fair, Isaac score that analyzes the interrelationship among about one hundred variables by gathering information from your credit files at the three national credit bureaus (TRW, Trans Union, and Equifax). Fair Isaac scores range from about 400-900. The higher the score, the better the credit risk. If you have a Fair Isaac score of 680 or higher, you are considered a premium-quality borrower and should qualify for a speedy loan approval, and possibly for a preferential interest rate: the higher the credit score, the lower the interest rate and vice versa.

Credit scores are great equalizers. They discriminate on one factor only: the likelihood that you will repay a loan on time. There has been some controversy that credit scores might be biased against lower-income borrowers, but so far no evidence supports this claim. Also, since credit scores analyze a multitude of variables, one late payment or even a past bankruptcy need not keep you from getting a mortgage. One piece of credit information should not determine whether you get a good or bad score. It's the interaction of many credit variables that results in the score. In fact, credit scoring might help someone with a bankruptcy or foreclosure get a mortgage, because it is an objective evaluation method that eliminates an individual loan underwriter's bias.

As your realtor, I will work closely with your lender. We will determine the best possible loan for you based on your FICO score and other individual qualifications. Also, based on your income versus debt, the lender will evaluate your purchasing power; this will determine the sales price and monthly payments you can afford.