Quillo

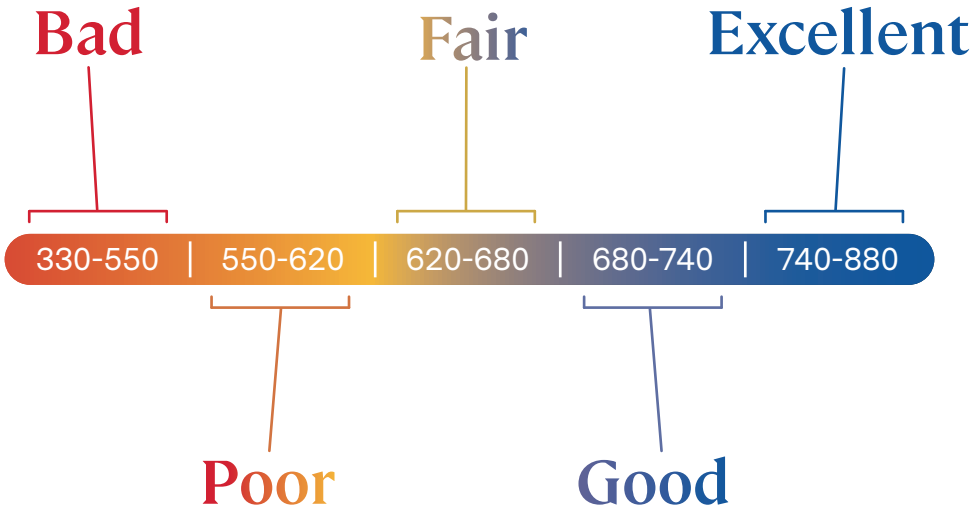
Conquering Credit

Everything you need to know if you're freaking out about your credit score.

What is a credit score?

our credit score is a three-digit number indicating the rating you have earned through your borrowing and spending habits. The higher the number, the higher the likelihood you will qualify for a mortgage.

Sometimes it can feel like credit rules the world, and that can be good, bad, or ugly – depending on your score. But there's a lot that goes into determining a credit score. Understanding how you're assigned a credit score and what you can do to influence your score is the first step toward conquering your credit.



What makes up a credit score?

35% Payment History

Making your payments on time has the biggest impact on your credit score—especially missed or late payments in the last couple of years.

30% Amounts Owed

More specifically, the amount of available credit versus what you have borrowed. To improve this aspect, keep your balances as low as possible on lines of credit.

15% Length of Credit History

This is made of up of the amount of time your accounts have been open. A more seasoned borrower will have a longer track record, there for will always be stronger in this area.

10% New Credit

When you apply for new credit lines it briefly affects your credit score but if you continue to make timely payments the score rebounds quickly.

10% Types of Credit

A mix of lines of credit is more favorable than one type. For example, a mix of auto, mortgage and credit card is preferred over a concentration of credit card debt.

10 Tips to Increase Your Credit Score

1. Make your payments on time every single month. Lenders will want to see that you can make your $25.00 monthly payment to Kohl's to gauge if you can make your $800 per month housing payment. On time payments are the bread and butter of credit scoring.

2. Make any past-due payments and get current on all your accounts. If you have made a late payment in the past, you likely have a fee in addition to the minimum payment. You must pay the fee in addition to the past due payment, otherwise it will continue to report late.

3. Pay down your account balances. Aim to have and keep about a 30% debt-to-credit limit ratio. This shows self-control and has a lot of weight with the scoring model specifically on credit cards.

Example: If you have a credit card with a limit of $1,000.00, do your best not to charge more than $300 on it.

Pro-tip: One 30-day late payment can affect your score by 100 points.

4. Do not close a credit card. This will hurt your credit score. Keep zeroed out accounts open, just keep them at a $0.00 balance. Even if you don't think you will use the account, your open accounts determine your "account age".

5. Paying everything off at one time and thinking you can now obtain a home loan is a common misconception. There's a rush you get when you pay something off - and you feel like you are doing right by paying obligations! It's good adulting, right? However, creditors don't always see it that way. When you sign up for revolving interest accounts (credit cards and store cards), you're technically signing up to make monthly payments. Credit history (making that monthly payment) is key.

6. Don't close a delinquent account. If you close an account with a balance, it will cause your available credit and credit limit to be reported as zero. Instead bring the account current and in good standing.

7. If you need to re-establish a clean credit history, start small by opening new accounts and paying them responsibly.

8. Don't max out your credit card. Using 100% of your credit has a negative impact.

9. Avoid making purchases by using a retailer's 0% financing program. This offer is usually viewed as a last resort type of loan and could cause creditors to view you as high risk.

10. Dispute any inaccuracies on your credit report.

Correcting errors on your report

1. Collect documents that support your dispute.

2. Make copies of these documents if you plan to mail them in. The documents will not be returned to you following the investigation.

3. Your supporting documents may be uploaded for online disputes, submitted by mail, or if you are disputing via phone, follow the instructions given by the agent.

4. **To submit a dispute to a nationwide credit reporting agency (CRA):** contact the CRA listed on your credit report, that has the wrong information. You can submit a dispute with CRAs online, by mail, or over the phone using the contact information in the box. Remember there are 3 credit bureaus, so if disputing you will have to take steps with Experian, Equifax, and Transunion. **To submit a dispute with a business:** contact the business directly. Their contact information will be included on your credit report.

Contacts

Equifax

866-349-5191

P.O. Box 740 4256
Atlanta, GA 30374

www.equifax.com/personal/disputes

Experian Dispute Dept.

call phone # on report

P.O. Box 9701
Allen, TX 75013

www.experian.com/dispute

TransUnion

800-916-8800

P.O. Box 2000
Chester, PA 19016

www.dispute.transunion.com

Keep in mind:

- Not all credit scores are the same.
- What a mortgage lender pulls is different from what online credit monitoring services pull.
- If you have questions about your credit score, regarding a mortgage.

Let's talk.

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