

# USLENDING CO.

*Real Estate Financing*

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## THE TOP 10 CREDIT "DO'S AND DON'TS" DURING THE LOAN PROCESS

Although your Mortgage Consultant pulls a credit report at the time of loan application, keep in mind that the Lender will usually pull another one immediately before closing your loan. If your credit scores have dropped, it may affect the loan approval and also the interest rate!!! In order to ensure a smoother process from start to finish for your purchase or refinance, it is vital that you follow the tips below. If you have any questions, always ask your Mortgage Consultant, first!

*Following are some helpful tips to avoid the credit mistakes that many borrowers make during the loan process:*

1. **DO NOT APPLY FOR NEW CREDIT OF ANY KIND:** Including those "You have been pre-approved" credit card invitations that you receive in the mail. Every time you have your credit pulled by a potential creditor or lender, you lose points from your credit score immediately. Depending on the elements in your current credit report, you could lose anywhere from 2-50 points for one hard inquiry.
2. **DO NOT PAY OFF COLLECTIONS OR CHARGE-OFF'S** during the loan process. Paying collections will decrease the credit score immediately because it changes the "last activity date" to a current date. If you want to pay off old accounts, do it through escrow and make sure that 1) you validate that the debt is yours and 2) that the creditor agrees to give you a letter of deletion for your records.
3. **DO NOT CLOSE CREDIT CARD ACCOUNTS.** If you close a credit card account it can change many factors. It can make your debt ratio look higher; it deletes the length of credit history. If you must close an account, make sure you do it *after* your loan closes.
4. **DO NOT MAX OUT OR OVER CHARGE ON YOUR CREDIT CARDS.** This is one of the fastest ways to bring your score immediately down 5-100 points. If you must carry a balance on your credit card, always keep it below 30% of your limit.
5. **DO NOT CONSOLIDATE YOUR DEBT ONTO FEWER CREDIT CARDS.** It seems like it would be the smart thing to do, however, when you consolidate all of your debt onto one card, it appears that you have maxed-out that card and the credit scoring system will penalize your scores. If you want to save money on credit card interest rates, wait until after your loan closes.
6. **DO NOT DO ANYTHING THAT WILL CAUSE A "RED FLAG" TO BE RAISED BY THE SCORING SYSTEM.** This would include adding new accounts, co-signing on a loan, changing your name or address with the credit bureaus. The less activity on your reports during the loan process, the better.
7. **DO JOIN A CREDIT WATCH PROGRAM.** If you join a credit watch program, you can check your reports weekly, or even daily, depending on the program you select. (When you pull your own reports, you don't get penalized for a "hard inquiry"). This way, if something does show up on your report that has caused your score to go down, you will know immediately and you may be able to take care of the problem before closing.
8. **DO STAY CURRENT ON EXISTING ACCOUNTS.** Late payments are another way to quickly bring your scores down. One 30-day late payment can lower your scores as much as 30-75 points.
9. **DO CONTINUE TO USE YOUR CREDIT AS NORMAL.** Red Flags are raised easily with the scoring system. If it appears that you are changing your pattern, it will raise a red flag, and your score could go down.
10. **DO CALL YOUR MORTGAGE CONSULTANT!** If you receive something in the mail from a creditor or collection agency that you believe may affect your score during the loan process, call immediately! Your Mortgage Consultant may be able to supply you with the resources you need to stop any derogatory reporting to the credit bureaus.