



Steps to take to begin to Manage Your Credit Today.

1. Read your Credit Report in detail

2. List Items that are glaringly wrong within the past 2 years

Call credit card agency and ask for "goodwill" or that they take off some negative information from your credit report. Ask them to update corrected information to the credit reporting agencies.

Write a dispute letter if necessary. Send it to the credit reporting agency that has the information on it, not directly to the creditor. You may need to write 3 dispute letters, one for each credit reporting agency. Send any dispute letter return receipt requested.

3. List Items that are glaringly wrong longer than 2 years ago.

Call credit card agency and ask for "goodwill" or that they take off some negative information from your credit report. Ask them to update corrected information to the credit reporting agencies.

Write a dispute letter if necessary. Use disputes with care- they impact mortgage underwriting. Send it to the credit reporting agency that has the information on it, not directly to the creditor. You may need to write 3 dispute letters, one for each credit reporting agency.

4. List items that are negative

Call credit card agency and ask for "goodwill" or that they take off some negative information from your credit report. Ask them to update corrected information to the credit reporting agencies.

Write a dispute letter if necessary. Send it to the credit reporting agency that has the information on it, not directly to the creditor. You may need to write 3 dispute letters, one for each credit reporting agency.

5. List items you need to investigate

Write a dispute letter if necessary. Send it to the credit reporting agency that has the information on it, not directly to the creditor. You may need to write 3 dispute letters, one for each credit reporting agency.

6. Patience

After you have contacted creditors and credit reporting agencies, you will have to wait to see the results. Check your credit report again in 30 days or so. Make sure you have written documentation about every conversation with a creditor, have mailed all dispute letters, goodwill requests or other correspondence with the credit reporting agency by registered return receipt requested mail.



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Steps to take to increase the credit scores

1. Create a plan of action to increase your credit score based on current factual information. Some things that seem like the right way to increase a score from sensible perspective may in fact hurt your credit score.
2. Stop having other companies check your credit during the months before you need to get a loan. Just checking credit can decrease a credit score. If you are looking for a mortgage loan or car loan, get the credit checks done it a 15 day period. This will count as one credit pull.
3. It is good to make corrections on your credit report BEFORE you need to get a loan or rely on your credit score. Look for glaring errors and get them corrected by disputing them. Only dispute things that are incorrect. You want your accounts to show Current or Paid as agreed. Negative items can include, but are not limited to, errors in reporting late payments, collections, charge offs or closed by creditor. Make sure these are correct and you can dispute them if the status is wrong. Negative items over 7 years should be taken off your credit report
4. Look at the Credit Limits on your credit cards. Are they correct? Have you gotten an increase in your credit limits and it is not reflected on your credit card? It should be. This might be a great way to increase a credit score. Ask your credit card company to report the increase to the credit reporting agencies or consider disputing the information if they will not update it with all three credit reporting agencies.
5. Look at the Credit Limits on your credit cards. Paying down balances to under 25%-30% can have more of an impact on your credit score than paying off a credit card in full. Credit card debt has significant impact on a credit score. The credit reporting agencies care less about the interest rates on the credit cards than they do the balances.
6. Be aware of what your credit line is and do not hit that mark every month. This may decrease your credit score even if you do pay off the balance every month.
7. Make sure that your credit card company reports the credit limit to the credit reporting agencies. If they do not report that credit limit, it may look like you have reached your credit limit or be close to the credit limit. Since there is no way for the credit scoring companies to determine the percentage of available credit you have used, it may bring down your score. Don't leave it to the lender to figure out. You can always write an explanation to be sent with each credit report requested if this is an issue from the past.
8. Don't forget your business credit cards! Many times, in order for a business to get a line of credit or a credit card, the owner must sign personally. What this means is the business owners credit is checked to see if the lender is willing to make the loan. When a credit report is pulled for the business owner, the business account will show as well. Use the same tips mentioned above with regard to business credit.
9. If you have high credit limits, consider getting a new credit card to increase your amount of available credit. Before you do this, make sure you will not just use the card to increase your debt. Also, if you are in process or very close to wanting to get a loan like a mortgage or car loan don't make that move yet.
10. If you have had a bankruptcy it should be taken off your credit report in 10 years. Also, items that were discharged in bankruptcy should not be on your credit report



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11. If you have a short credit history or want to increase your credit score, you might be able to become an authorize user on a family members card or a friend that trusts you. You may need to become a joint user, rather than an authorized user to get the jump in credit scores that can occur. Ask the person who is willing to trust you to add you to a credit line that they have had for a long period of time. If they are willing to do this for you, please be aware that any action you take to negatively affect credit for you with regard to this credit authorization will directly affect the person that trusted you.

If you have some negative hits on your credit report, these are some suggestions to work through to improve your credit score.

1. If you have had some difficulty paying a credit card debt or other loan because of a job loss or medical condition or other reason, you can call the lender and ask that they take off the late payment information reported to the credit reporting agency. They may take one or two late payments away or erase them all together. Be aware they might decrease your credit limit- so think about it.
2. Before you rush to dispute old negative issues on your credit report, you need to determine when you will need to have your credit pulled of a loan. If it is soon, then you might want to wait to dispute those older issues. You can dispute negatives on your credit report as if it is really incorrect. If the credit issuer has no records, which may be the case, they may be required to take off the negative information. It is your duty to keep good records and it is the duty of your creditor to do the same.
3. Have a default on a student loan? It won't go away. Give them a call. There is a program to allow you to be able to make payments regularly for a period of time and then they will change the information reported to the credit scoring companies to "paid as agreed". This will not happen overnight, but this rehabilitation program can be helpful in increasing credit scores in the long run.
For details, contact your student loan lender.
4. If you are negotiating with a collection agency or creditor to pay the debt or bring a debt current, make part of the deal be that they remove the negative information from your credit report. They can do that. Talk to a supervisor if needed. Get the agreement in writing and send them a money order as payment. The term of art is called "pay for delete"



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"Don'ts and Do's" of the Home Buying Process

From  **Get It Together**

DON'T

1. Don't change your job before applying for a home loan. Call Hallie with questions on this. There are some job moves that are OK.
2. Don't become self-employed or quit your job.
3. Don't get into a loan for a car or truck or any other vehicle.
4. Don't buy furniture on credit before buying your house.
5. Don't be late on your credit card payments at all.
6. Don't make large deposits into your bank accounts.
7. Don't lie on your loan application.
8. Don't co-sign a loan for anyone..
9. Don't have inquiries made into your credit.
10. Don't spend your money for closing costs. You will know the ball park of the amount needed to close. Save it.
11. Don't Ignore Lender Requirements. Every lender will have certain requirements or documentation. Listen carefully and provide everything they need as quickly as possible
- 12. Don't hesitate to ask Get It Together any questions about jobs, purchases or other financial decisions you need to make. They may impact your ability to get a mortgage.**

Do's

1. Open a bank account.
2. Get a secured credit card, if required, as soon as possible.
3. Begin to Budget. Get It Together will assist with that.
4. Begin to save toward closing costs. Save a certain amount each paycheck.
5. Pay your rent on time with a check from your bank account.
6. Set up overdraft protection on your bank account.
7. Avoid large cash deposits into your bank account.
8. Be able to verify where you deposits came from. Save your paperwork.

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Need Help Building Credit?

Are you interested in home financing but you have little or no credit? Chances are mortgage lenders will turn you away and tell you that you need to build credit first. Credit is one of the most important parts of the U.S. financial system. Having a strong credit score is essential if you intend to make a large purchase such as a home. Your score also factors into the price you pay for financing, such as the interest rate and down payment, and is used as part of the decision-making process when lenders evaluate your loan file for approval.

So what do you need to know about building your credit the smart way?

There are many resources on the internet that provide guidance on establishing credit. Most lenders use a scoring formula called FICO, and this company offers a website with guidance for consumers. It's a good place to start:

<http://scoreinfo.org/FICO-Scores/Establishing-Your-Score.aspx>

How to Establish GOOD Credit

(parts of text are from www.creditscore.net, a personal finance blog on all things credit and debt-related)

One of the most important aspects of your financial life is your credit. Your credit is essentially your financial reputation. It is a record of how you handle your money obligations. Because it is fairly simple to check your credit report, or your credit score, there are a number of people who might be interested in your credit. This includes lenders, of course, but also insurers, cell phone providers, landlords and even employers.

You should realize that your financial name is being established almost from the beginning. The first loan you get, whether it is a credit card or a car loan that your parents co-sign, is the beginning of your credit history. How you handle the payments will be recorded in your credit report, and used to determine your credit score. If you start off on the wrong financial foot with your bills, you will find it difficult later to get certain jobs, buy a house, or even be approved for a cell phone plan.

How Your Credit Rating is Calculated

Most people equate their credit with the credit score. A credit score is a numerical representation of your credit history. You have three main credit reports, made up of information reported to the three major credit bureaus (Experian, Equifax and TransUnion). Information from these credit reports is taken and assigned number values. These values are then plugged into a formula. The most popular credit score model used is the FICO score, although there are other scoring models that might be used for different purposes.

For the most part, your credit score is comprised of five main factors:

1. **Payment history:** 35% of your credit score is based on how you handle your payments. If you pay on time, your behavior positively impacts your score. If you are late, the information is recorded in your credit report, and then used in the calculation of your credit score. Realize that non-credit payment problems can impact your credit score as well. If you are late with utilities, or with the rent, you might be reported to the credit bureaus, and that payment information will become part of your credit profile and included as a negative item in calculating your credit score.
2. **Amount of credit used:** Another 30% of your credit score has to do with how much of your available credit is being used. If you are close to the maximum on your credit cards, it will drag down your score. The way you pay down installment debt, such as mortgages and car loans, will also factor in to how your credit is viewed.





3. **Age of credit:** Next, the age of your credit accounts for 15% of your credit score. There are two parts to the length of your credit history. Your oldest account is considered, including how long it has been open. This provides an idea of how long you have been using credit. The longer you have used credit, the better it is for your credit score. The other part is the average age of all of your accounts. The higher the age, the better your credit score, and the longer you have accounts in good standing, the more it will help your credit.
4. **Types of accounts:** All of the accounts you have opened are included in your credit report. The credit scoring formula takes into account whether or not you have a diversity of accounts. Having revolving accounts, like credit cards, mixed with installment accounts, like car loans, can show that you handle different types of credit responsibly. Also realize that where you get your account matters as well. A payday loan is not considered as favorably in your score as a mortgage. A credit card from a department store is more negative than a credit card from a major bank issuer. The types of accounts you have account for 10% of your FICO score.
5. **New credit and inquiries:** The final 10% of your credit score is based on the credit inquiries made on your behalf. When you look at your own credit, or if someone looks at your credit without you asking them to, it doesn't factor into your credit score. However, if you apply for new credit, it will be included in calculations for your credit score. Your score can be lowered if you apply for too many credit accounts at once.

Because your credit rating is so important, it is vital that you work to begin establishing good credit as early as possible. This means that you have to use credit in a responsible manner.

Getting Started

If you are just starting out, it is vital that you start out right. You will need to open some sort of credit account if you are to build good credit. One of the easiest ways to begin establishing credit is to get a credit card. If you are under 21, you will need to prove that you have a job that will allow you to handle making payments on the credit card account, or you will need a co-signer. However, it is important to be careful when you use a credit card. It can be the fastest and easiest way to establish a good credit rating, but it can also be a fast way to overwhelming debt. When you open a credit card account, follow these rules to help you establish good credit while avoiding the pitfalls of debt:

- **Keep to a budget:** Remember that a credit card is a loan. So you should make a budget and stick to it. Don't spend money you don't already have. Before you make a purchase with your credit card, make sure you have money in your checking account to cover the cost, and make sure that the purchase fits within your budget.
- **Track your spending:** Keep track of purchases you make. After you buy something, record the transaction in a ledger, or in personal finance software. When you track your spending, you can reduce the chances that your credit card purchases will get out of control.
- **Only buy one or two small items each month:** As part of your budget, choose one or two items to buy with your credit card each month. Make sure these are small enough purchases that they fit into your budget.
- **Pay off most of your balance each month:** Next, write a check each month to cover the purchases you made. If you stick with your budget, there should be plenty of money in your checking account to pay off most of your credit card balance. You should leave a small balance at least once each 6 month period so that the credit formula reads the activity on your account. This way, you will be able to build good credit, without paying lots of interest on your credit cards.

When you show that you can make regular payments on a credit card, this reflects well on you financially. Using your credit card as part of your budget can be an ideal way to build credit – as long as you avoid buying things you can't truly afford.

Your next step in establishing good credit should be to get some type of installment loan. Once you have begun building a positive credit history with a responsibly used credit card, it is easier to get an Installment loan, such as a car loan or a personal loan from the bank. Try to borrow as little as possible for your installment loan, and make sure you can afford the payments.



Try to keep the loan to 24 or 36 months, and make your payments on time. This will help you build diversity in your credit accounts, and prove that you can handle different types of loans.

As you work to establish good credit, you should follow the basic rules of good personal finances. This means that you need to avoid spending more money than you earn, as well as set money aside in savings to serve as a safety net in times of financial difficulty. If you establish good financial habits, you will not need to turn to credit cards and loans to help you get out of tight spaces. That way, you can maintain your good credit over your lifetime.

Re-establishing Good Credit After Making Mistakes

While it's always best to start out with good credit habits that will lead to good credit, sometimes we make mistakes. If you have made a mistake with your credit, you can re-establish your financial reputation. However, it takes planning and effort to improve your credit once it is labeled as "poor." Some of the things you can do to help re-establish yourself as a responsible credit user include:

- **Start making payments on time:** From this point forward, make on-time payments on all of your bills and credit loans. Reduce your debt: Set up a debt repayment plan to reduce what you owe. As you pay down your debt, your credit will improve.
- **Pay off negative credit accounts first:** Get rid of payday loan and car title loan accounts as quickly as possible. They'll remain on your credit report, but as you eventually get better accounts, they won't be as important in figuring your credit score.
- **Think twice about closing major credit accounts:** It can be tempting to close credit card accounts, but you should think twice. If you have a major credit card, and you have had it for a long time, closing the account can actually hurt your credit score. Instead, consider leaving the account open. It will positively help your credit utilization, since it will appear that you have plenty of available credit. Plus, it will provide you with a longer credit history.
- **Consider a secured credit card:** If you have been through a bankruptcy, and you no longer have any credit accounts, you might not qualify for an unsecured credit card. If you can get a secured credit card, it can help you re-establish your credit. You will have to put a certain amount of money in an account to secure the card. Make sure that the credit card issuer will report regular payments to the credit bureaus. Then, after a few months of being responsible, you can ask to have the secured credit card converted to an unsecured credit card – something that will help your credit.

How long it takes to re-establish your credit rating will depend on how poor your credit is, and the severity of the problem. If you have a foreclosure, it can take up to two or three years – or more – to re-establish credit that is good enough to buy a home. It can take five to seven years after a bankruptcy to re-establish your credit. For less severe problems, you can see substantial improvements in less than a year.

Check your Credit Regularly!

If you want to maintain your good credit, you should check your credit report regularly for mistakes. Because your credit rating is based on the information in your credit report, inaccuracies can lead to a lower credit score. Check your report regularly so that you can catch mistakes and have them fixed. This is also a good way to catch identity fraud early, and avoid having your credit ruined by identity theft. You are entitled to a free credit report from each of the three major credit bureaus once every 12 months. Visit www.annualcreditreport.com to access your free credit report copies. Otherwise, unless you have been denied credit, you will have to pay to see your credit report.

Go to <http://www.annualcreditreport.com> for a free copy of your credit report from each credit bureau once a year. This free report does not give you a score, just the actual report. You would have to actually pay for the score. Also, for your information, the scores you would buy at this site are not FICO scores, which are typically used by lenders, but instead they are Vantage scores. Therefore, the numbers will not match up if you compare them to what a lender pulls on you. For more information on FICO vs. Vantage scores:

<http://mcmf.wordpress.com/2011/05/02/fico-vs-vantagescore/>



I Can't Get Credit Because I Don't Have Credit!

You will need a good mix of types of credit on your report. A good place to start, however, is with a credit card, which is called a revolving account. The catch, though is that when you are trying to establish credit, it can be hard to find lenders that will approve you for accounts! The following resources can help you find those companies that are willing to help customers establish or reestablish credit. You might have to start with a secured account, in which you have to deposit money on the account and draw against it. You might also try smaller local lenders such as credit unions. Just make sure that the account you get reports to all 3 credit bureaus so that you are building credit with all 3 bureaus. This is VERY important!

****secured:** www.publicbankcard.com (reports to national bureaus, no credit check)

unsecured: www.orchardbank.com (they require 1 open tradeline with 6 month history, provided by HSBC, reports to all 3 bureaus, \$59 annual fee)

Also, there are 2 web sites that help you search for cards in the marketplace based on your credit situation:
www.mycreditcardfinder.com and www.creditcards.com

Look at terms first and then apply to a select couple of cards so as not to rack up a huge stack of inquiries.

Bottom Line

Good credit doesn't just happen. You have to work to establish a good financial reputation with the help of credit. Create a plan that can help you use credit without being overwhelmed by debt. Incorporate credit into your budget so that you can use it to make purchases – and pay them off without having to pay a great deal in interest charges. If you plan your finances, live within your means, and use credit wisely, you will find that you have a good credit rating – and that will help you get the best deals on future purchases, and even help you get the career that you want.



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****** Allen Tate is not endorsing any credit cards or their associated banks. We are simply providing possible sources for customers to obtain new credit who might be having a difficult time building or rebuilding credit. The referenced institutions may change their product availability from time to time, so customers should read information carefully.



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Credit Scores

Credit scores are used by mortgage lenders to determine your ability to repay. Credit scores are calculated statistically, with information from a consumer's credit files. Mortgage lenders use the credit scores from the three credit repositories. The middle credit is used for an individual applicant and the middle credit score of the lowest applicant is used for the mortgage qualification.

What makes up the credit score?

35%- Payment history
30%- Credit utilization- The ratio of your current revolving debt versus your credit limit.
15%- Length of credit history
10%- Type of credit used
10%- Credit Inquiries

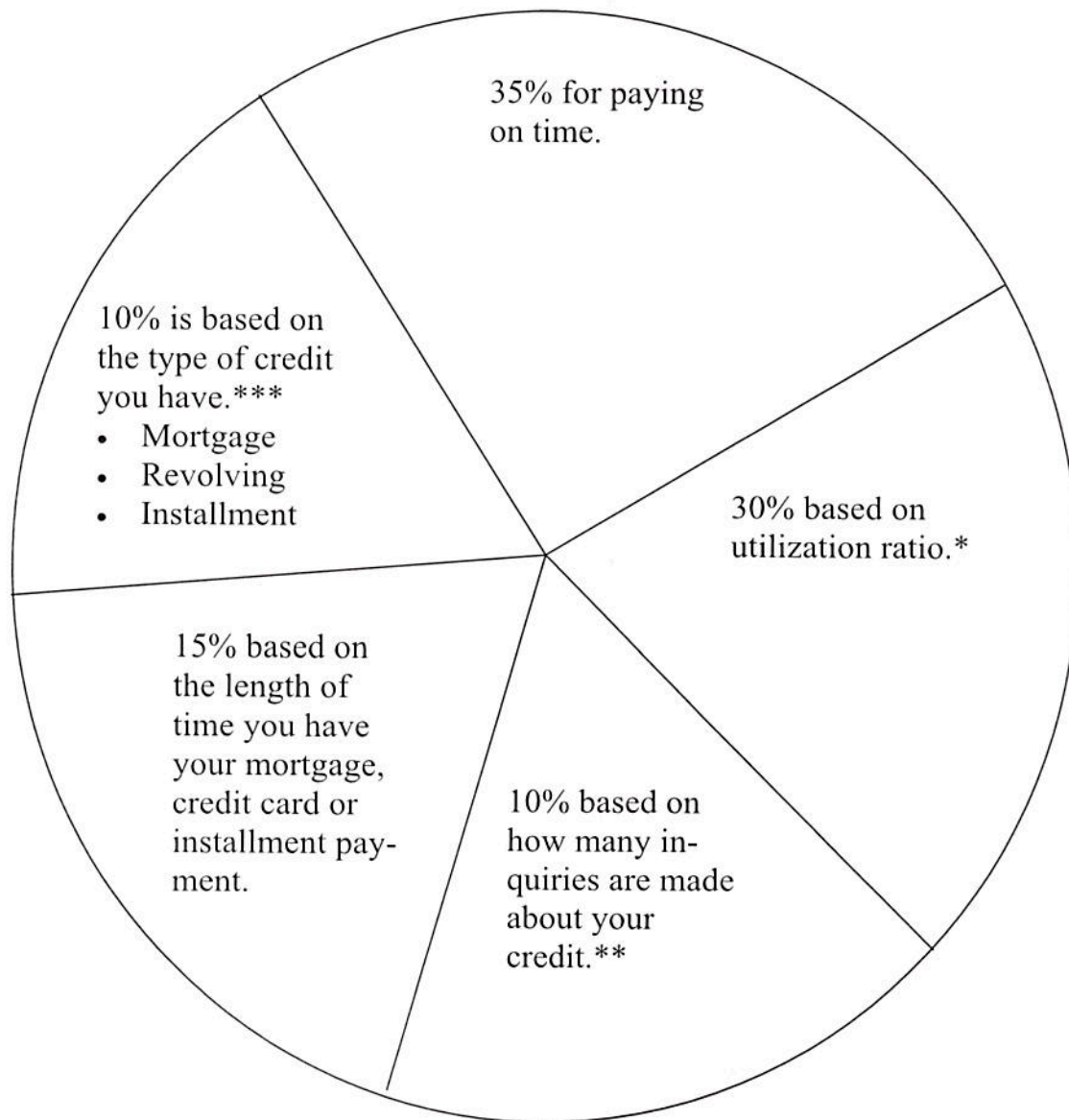
What do to improve your credit score?

1. Pay all debts on time or early- Place reminders on your calendar for due dates or automatic payments through your online banking account.
2. Reduce your balance on credit cards. Ideally 10% to 30% of your credit limit.
3. Closing out accounts may affect your score. Accounts that have been opened for longer periods of time with no derogatory can improve your credit.
4. Recent credit inquiries can lower credit scores. Credit score modules do acknowledge that consumer shop for mortgages and auto loans, but recent inquiries for other credit may reduce your scores

Not all credit scores are equal

Credit scores online are not the same as your lender uses. Mortgage lending credit scoring modules are different. Your credit score could differ as much as 100 points lower from the online score to your lender credit score.

Credit Score Pie Chart
Chart is from SEFCU program—Surviving the New Economy (11/11/2009)



***Utilization ratio** is used in the calculation of credit scores. It compares the amount of credit being used to the total credit available to the borrower. Having a low ratio—in other words, not much debt but a lot of available credit is good for your credit score.

A **credit inquiry is created when a lender pulls someone's credit record. It creates a record in a credit report of each time the borrower, a lender or a potential lender obtains a copy of the consumer's credit report. Credit Inquiries, especially multiple inquiries, may negatively impact credit scores.

***You have a better credit score if your credit history is well rounded with different types of credit. It is better for your credit score to have installment payments vs. revolving credit payments.

Minimum Credit Scores Mortgage Loans

Conventional Mortgage Loans

3% down payment - 680

5% down payment -680

10% down payment 660

Credit Scores at or below 720 will have a higher interest

Federal Housing Administration (FHA loan)

Minimum credit score 640

Veterans Administration loans

Minimum Credit Score 640

May do a minimum of 620 with an .125% or .25% increase in interest rate

North Carolina Housing Finance Agency Loans

3.5% down payment minimum credit score 600

North Carolina Housing Finance Agency Loans

Down Payment Assistance Program

Minimum Credit Score 650

USDA Rural Housing Loans

Minimum Credit Score 640

May do a minimum of 620 with an .125% or .25% increase in interest rate

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Getting Organized To Buy A Home



Things *NOT* to do when buying a home

Don't change your job, become self-employed, or quit a job before applying for a home loan. You want to show stability. You may change jobs if you remain in the same line of work and receive W-2 income.

Don't change banks, move funds between accounts, or make large deposits. Like your employment, you want your banking history to show stability.

Don't buy a car, truck, or any form of transportation. It increases your debt-to-income ratio.

Don't make any large purchases on credit, or apply for any new credit cards.

Don't be late on your credit card payments or charge excessively. You need a track record of responsibility and evidence that you can manage your money.

Don't misrepresent yourself on your loan application.

Don't co-sign or co-borrow for a loan with anyone.

Don't close any major credit card accounts.

Don't pay off collections until you have spoken to your mortgage consultant.

Don't wait until the last minute to convert stocks or mutual funds into liquid funds for closing costs. Please maintain the document to transfer of funds

Don't spend the money you have set aside for closing costs. Part of the price of financing a home is the closing cost and you'll likely have some responsibility for paying them.

Things you *will need* to complete your loan application

Residential address for the past two years

Name and phone number of current landlord if renting

Names, addresses, and phone numbers of your employers for the past two years

Copies of all bank statements (**all pages**) for the past two months and the most current quarterly statement for other assets including stocks, mutual funds, 401-K, and retirement accounts

Addresses and loan information on other real estate you own

Any legal or settlement documents (marital, credit)

Last two years of W-2s and signed federal tax returns

Most recent pay stubs to cover 30 consecutive days

Copy of driver's license for each borrower

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