

Guide to Credit

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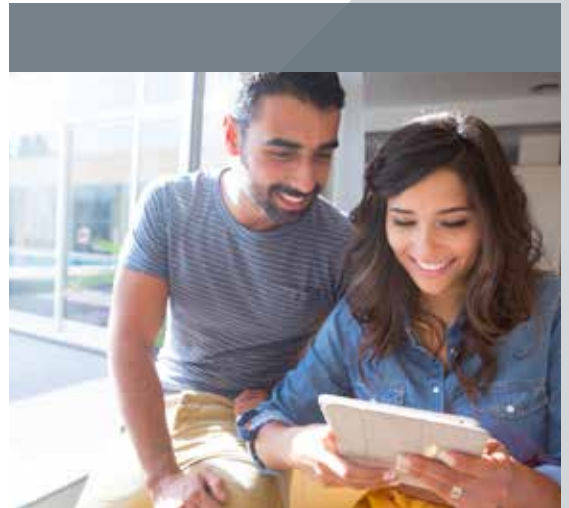
Credit Ratings

Credit Ratings can play an important role in the home buying process.



Your credit worthiness can affect how much you can borrow, interest rates on loans and whether you can even obtain a loan in the first place.

When you are trying to build your credit it is important to remember that boosting your credit score will not happen overnight. However, with hard work and determination it is possible to build and improve your credit score and strengthen your credit report which could help you obtain the best possible loan terms.



Tips to Build Your Credit



Get a Secured Credit Card

A secured credit card, or a credit account with a determined line of credit, is a good way to begin building your credit. Your credit line is determined by the required security deposit used to obtain the card and is equal to the credit line. Credit card debt often has the most negative affect on a credit score because it is a consumer debt that is not tied directly to any assets. Having a determined line of credit can help you keep the amount of credit card debt you accumulate manageable.



Be Aware of How Often You Use Your Credit Cards

A common mistake when building credit is using your credit card too much. Staying aware of your credit card use can help to keep from falling into excessive credit card debt which will have a negative impact on your credit score. You actually only need to use your credit card once or twice per month to begin building a credit score.



Open a Checking or Savings Account

Opening a new checking or savings account may be seen as a sign of financial stability. Depositing funds into your bank account can help build your financial stability and show your home mortgage loan originator that you have additional funds available to cover expenses in case of an emergency.



Pay Your Bills On Time

Late or missed payments on any credit accounts such as credit cards, mortgages and other loans could result in a drop in credit score. Making payments on time, making additional payments whenever possible and paying extra towards principal will also help to build a good payment history and decrease your payoff timeline. Using an [Extra Principal Payment](#) calculator tool can help calculate the savings that come with paying extra.



Minimize Outstanding Debt and Keep Existing Debt Manageable

Paying statement balances in full instead of letting debt accumulate can improve credit scores, which can result in better terms from lenders. Lenders often check your credit report when you apply for a loan and measure the amount of debt you are carrying against the loan amount you have requested. Excessive debt is one of the factors that could cause a lender to decline the application.



Avoid Applying for Unnecessary Credit

Credit applications can appear as inquiries on credit reports, which suggest to lenders that an applicant may be taking on additional debt. Be aware of sales that offer purchase discounts if you apply for a credit card. These could show up as inquiries on your credit report. These inquiries remain on credit reports for two years. Instead of applying for additional credit, use existing lines of credit to prove responsible credit management by paying bills on time and paying off debt quickly.



Be Aware of Your Credit Score

Quarterly credit checks can help you to be aware of any issues that may be keeping your credit from increasing. You can find your credit information through the three major credit bureaus. You can check your credit reports for free at www.annualcreditreport.com.

Things to look for on your credit report could include

- Accurate personal information
- Late payments you can prove were paid on-time
- Correct amounts owed on open credit accounts
- Credit inquiries made by companies you do not recognize

Have other questions about credit or other steps of the home loan process?

Call our Customer Service Center to speak with a 21st Mortgage representative.

1-800-955-0021



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