



Credit score tips can help you get a better interest rate when shopping for a home loan

A good credit score translates into lower interest rates for the borrower who represents less risk to the lender. Credit scores can range from a low score of 300 to a high score of 850. The higher your score is, the more likely you are to pay off your debt. A borrower with a low score will generally have to pay a higher interest rate. There are a number of things you can do to adjust your credit score in your favor before the underwriter looks at your loan application.

Should I pay off all my past due balances and charge-offs?

This is usually a good idea, but you only need to worry about the past due balances and charge-offs that have occurred in the last two years. Items that are showing up on your credit report that are more than two years old have little effect on your current credit score. In fact, **if you pay off delinquent items that are more than two years old it can actually bring your credit score down**, which is something we don't want to do. We want to bring that score up if it means you get a better interest rate on your loan.

Should I close existing credit card accounts that I don't really use?

The answer to this is "NO." Part of your credit score is based upon credit history. If you have old credit cards that you don't use very much, you still have the benefit of the credit history they represent.

Rather than trying to pay off your credit cards, you can move part of the debt from one card to another to even out the distribution of debt. You want to try to keep the ratio of debt to credit limits at about 30% of the available credit or less.

If your credit provider will increase your line of credit, the ratio of debt to available credit is automatically reduced. Amazing!



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When married couples have separate credit card accounts, the debt can be transferred from one spouse to another to clear up credit issues for the other spouse. That spouse with clean credit can be designated as the sole borrower on the loan, but ownership of the home can still go in both names.

What about errors on my credit report?

If you have items that are showing up on your credit report that you know you have already paid, request that these items are removed by the credit bureau. They are obligated to rectify this within 30 days.

If there are items on your credit report that are less than two years old, send in your payment if possible and mark the back of the check with the following notation: "Accepting this check is evidence that the transaction is complete and this charge will be deleted from my credit record." If necessary, the cancelled check will be proof that this should be promptly removed from your credit report if it interferes with the closing of your loan.

Sincerely,

Catherine Sun