

fees. Second, don't open or close any new accounts as doing so could significantly impact your score. Third, keep balances on your revolving credit such as credit cards. However, you don't want to carry a balance of more than 30 to 50 percent of whatever the high credit limit is. For example, if you have a credit card limit of \$1,000, you would want to pay down your balance to about \$300 or \$400. And, lastly, you want to actually use credit. It is a good idea to have at least three credit lines such as a car loan and a couple of credit cards, adds Heimlich. In addition, if there are any judgments or collections on your report, they may have to be paid off.

How Long Does It Take to See Improvement

The timeline to improving your credit differs for each individual and depends on the circumstances. In some cases it could take 35 to 90 days, or even up to 12 months depending on how complicated the process is. According to Hodges, creditors generally report to the three bureaus every month. However, there is some lag time when it actually hits the live credit report. So, if the consumer takes on the task of clearing up their reports, it could take about 60 days before the credit report is actually updated. In addition, many lenders have the capacity to do what Hodges refers to as "rapid rescoring." This proprietary product allows lenders and/or mortgage companies the ability to get credit corrected and then rescored in as little as 72 hours or three business days. Furthermore, the Fair Credit Reporting Act governs how mortgage professionals work with inaccuracies in credit reports, ensuring that they are not structuring a loan or doing credit repair, but rather clearing up erroneous information on the report.

You Deserve Homeownership

Starting your journey to homeownership begins with improving your credit score. And how you accomplish this can take some planning to achieve. Remember that a low credit score is not the end of the world. There are many loan options for every consumer. With a little patience, consistency, and time your credit score will improve and homeownership will become a true reality. ■

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POOR Steps to GOOD Take to Improve Your CREDIT SCORE

BY JANET THOMSON

directly with a professional lender. Although you can obtain a free annual report from places like freecreditreport.com or annualcreditreport.com, having a lender pull the report from the three trade agencies: Experian, Equifax and Trans Union, is conservatively scored and provides a more detailed representation of your credit history, according to Heimlich. In addition, Heimlich also warns against having multiple people or lenders pull your credit report, because it shows as an inquiry and could have a negative impact depending on the circumstances. Furthermore, Hodges says that al-

though the free credit report will give the borrower a general idea of whether anything is inaccurate in their report, it isn't necessarily a mortgage model. "That free credit report is only one of 40 plus models that are out there," he says. "So, if someone is looking to purchase a home, having a mortgage professional pull a credit report is the best representative scoring for a future loan."

Practical Things to Do to Clean Up Your Credit

According to Heimlich, there are some basic steps to achieving a better credit score. First, pay your bills on time. For example, if you are a renter



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Buying a home is perhaps the single biggest purchase most Americans will ever make. In fact, it is essential that you learn all that you can about the purchasing process, and that begins with knowing your credit score and the options that are available to you as a new or existing homeowner. If you believe that your major hurdle to homeownership is the lack of a good credit score and a substantial down payment, then you should take the necessary steps to get your credit under control and purchase the home that you deserve.

Borrowers Perception of Credit Scores

In the second annual report *How America Views Homeownership*, conducted by Wells Fargo and Ipsos Public, consumers' perception of what they can and can't afford is completely off base when it comes to their credit score. The report reveals that two-thirds of those surveyed believe that they need a credit score over 780, which is considered excellent, in order to qualify for a mortgage loan. Although a score of 780 and above is impressive, there are multiple credit score models and investor guidelines that a professional lender knows can help a potential buyer qualify for a home mortgage. Matt Hodges, Charlottesville Sales Manager and Loan Officer at Presidential Mortgage Group, doesn't necessarily view scores as good or bad, but rather consequences to the borrower. For example, if a potential borrower has a credit score that is below 680 and they are applying for a \$200,000 conventional Freddie Mac or Fannie Mae loan that requires a score of 740 or above, they can expect to pay \$5,000 more or 2.5 percent of the loan value. Although a potential buyer still qualifies, they will pay significantly more, he adds.

If you know that your credit score has some blemishes and your goal is to become a homeowner, Carl Heimlich, Branch Manager at American Equity Mortgage, suggests that you work