

# Credit Repair & Mortgage FAQ

## **Q. What minimum credit score is needed to get prequalified or preapproved for a home loan?**

A. 600 for FHA with down payments as low as 3.5% down, or 640 for conventional – starting from 3% down. Jumbo loans (above your county's conventional or conforming limits) are stricter, often requiring at least a 10.1% down, a 680 minimum credit score, and payment reserves.

## **Q. Will getting prequalified or preapproved for a home loan negatively affect my credit score?**

A. Whenever possible, we will start with a soft credit pull, which will neither show on your credit report nor affect your score. This soft pull will give us an idea of where we stand. Your loan officer will request your permission to do a full, "hard" credit pull if all looks good.

*A few things to note:*

1. Yes. The hard pull can negatively affect your credit for other purposes. You can have multiple pulls for a mortgage, either by the same lender or several different ones, within 60 days, without affecting each other. The score can still fluctuate for other reasons.
2. We do NOT want you having your credit pulled for ANY other reason while trying to get a mortgage approval and shopping for a home!
3. Your credit report is only good for 90 days; after 90 days we'll have to get a new one. While it is another hard pull, the adverse effects from the original pull will have dissipated by then.
4. We will continue to monitor your score and credit activity throughout the transaction. Please be sure to make all on-time payments and not make any changes to your credit profile:
  - Don't close or open any accounts.
  - Don't accept offers to change your credit limits.
  - Do not make ANY large purchases on credit, layaway, or using funds we may need for down payment, closing costs, or reserves

## **Q. How long does it take to repair my credit score?**

A. Some changes can take a single billing cycle (or less) to reflect on your score (such as paying down a high-balance credit card); others can take 90 days or more.

## **Q. What steps do I need to take to repair my credit score?**

A. We recommend taking the following steps:

1. *Keep utilization low.* We recommend below 30% on each credit line individually and combined.
2. *Always pay your credit on time.* Pay it as quickly as possible if you missed a payment – lenders only report late payments over 30 days. If possible, make sure they get the money less than 30 days after it was due. Sending a check by mail on day 20 may be too late. Paying directly in an online portal is preferred, or it can be worth the fee for pay-by-phone to avoid a report on your credit.
3. *Get your 3 FREE annual credit reports* – one from each of the three bureaus at [annualcreditreport.com](http://annualcreditreport.com) (note: If the URL has the word "free" – only the first report is free, but you will be signing up for a PAID service!!!). We advise you to pull one report from a single bureau every four months. You can also open a free account with either [CreditKarma.com](http://CreditKarma.com) or [CreditSesame.com](http://CreditSesame.com), which will provide up-to-date information from two of the three bureaus. However, you should be aware that these sites make money by soliciting services and serving advertisements – they potentially retain your credit (hopefully anonymized) credit/financial profile and sell it for profit.
4. *Review all the information on the report.* Most reports have SOME wrong information. It can be a misspelling of your name, an address you were never associated with, or incorrect collection accounts etc. We can clear minor items on a mortgage application with a simple letter of explanation. However, you will want to contact the bureaus and make sure any errors are corrected and cleared sooner or later.