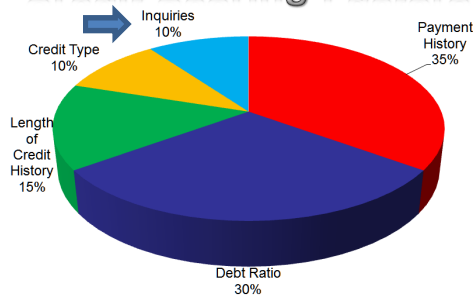


Credit Inquiries

Credit Scoring Factors



Getting ready to start shopping for a mortgage? **STOP! Don't let anybody check your credit!** Not until you understand how letting a possible creditor check your credit will affect your chances of getting a home loan. When you let a bank, mortgage lender, or any other type of creditor pull a copy of your credit report, it creates an "Inquiry" and lists it on your credit report. Adding inquiries to your credit report helter-skelter can adversely affect your chances of getting a conforming loan with market interest rates. Hire me and I'll show you everything you need to know about inquiries and credit scoring.

Everybody needs to shop around for the best mortgage terms, but nobody should have to worry about an inquiry causing credit problems. The solution: order your own credit reports, black out your social security numbers, and let the lenders use them to prequalify you for their mortgage programs.



When a lender prequalifies your information, the file does not go to an underwriter unless, like most loan officers, they are completely incapable of doing it themselves. And that's where I come in. I can prequalify anyone looking for a mortgage and I use the exact same criteria that any Fannie Mae/Freddie Mac qualified underwriter would use.

After I pre-qualify my loan clients, they receive my Mortgage Pre-Qualification Assessment Report. This report contains all the information you need to determine what type of loan you can qualify for. I evaluate your credit, income, assets, debt, employment, loan-to-values, debt ratios, requested loan types, and anything else that has an affect on your loan approval. I check everything!

Some inquiries won't hurt you at all, but others can ruin your chances to get a good loan with the lowest interest rate available. Above 75% LTV, the best loans require a minimum "representative" credit score of 680. As an example, let's say a person has a credit score is 683 so they should qualify easily for the best terms available. Right? Not so fast! Now let's say when this person was shopping for their loan, they allowed a few lenders to pull their credit and then they took a month to decide which loan program offered the best terms. Then they go back to that lender to apply and "bingo." When they pull their credit, their FICO Score had mysteriously fallen to 678 and they could no longer qualify for the best loan deal.

While this person was being thoughtful and conscientious like any smart person should be while shopping for what would probably be the largest debt of their life, they were victimized by the famous FICO algorithm. FICO Scores ignore inquiries made within 30 days but in this scenario the loan shopper waited for more than 30 days and so the inquiries hit their score, reducing it to 678.

So, if you want to avoid this type of potential heart-breaking scenario, just get a copy of your own credit reports and hand them to the loan officer to be used in their pre-qualification. If they say that they can't accept them, it's time to walk out the door. **Remember:** you need to obtain three credit reports and three credit scores for each applicant. Although Fannie and Freddie only require two of each, most lenders will require one from each credit reporting agency.

There are many websites that offer to sell you these important credit reports, but you need to be careful. Most of the ones that offer to give the reports to you for free ask for your credit card number to add a \$1.00 for "security purposes." Then they hide a monthly fee, usually at least \$19.95, as a membership fee to join their credit monitoring program in their website and it is usually impossible to notice it until you get your next credit card statement. I've been a mortgage loan officer, bank manager, and mortgage company owner for 30 years and I was recently caught in one of the nasty traps. And because I know about their tricks, I scrutinized their website three times looking for it but I never saw it. So, believe me, if it happened to me, it can happen to anybody. So...



You need the following credit reports for each home loan applicant:

Equifax + Credit Score

Experian + Credit Score

TransUnion + Credit Score

Following are several links that provide helpful information regarding credit inquiries:

<https://aaacreditguide.com/credit-inquiries/>

<https://www.myfico.com/credit-education/credit-checks/credit-report-inquiries/>

<https://www.creditkarma.com/advice/i/hard-credit-inquiries-and-soft-credit-inquiries/>

<https://www.experian.com/blogs/ask-experian/category/credit-advice/report-advice/inquiry/>