

Are you looking to buy a house in the next year? Make sure you check your credit first!

As you are considering purchasing your new home, your first step should be reviewing your credit report. Your credit report is an important collection of data which a mortgage company will base your approval, rate, and terms of your mortgage loan.

The Fair Credit Reporting Act has been updated and now you can order a copy of your credit report without an inquiry affecting your score. Beginning June 1, 2005, Florida residents can get one copy of their credit report for free from each of the three major credit bureaus every year.

There are three ways to get access your free credit report:

1. Go to www.annualcreditreport.com
2. Call 1-877-322-8228
3. Write P.O. Box 105281, Atlanta, GA 30348-5281

You can also go online to one of the credit bureaus listed below.

Equifax.com has a great credit monitoring system designed to teach you about your credit, how to fix errors, and they even have a credit score builder program to show you how to get the highest score possible.

Once you have a copy of your credit report, read every detail to determine if there are any errors. If there is misreported data, you can dispute the mistakes by mail or on the Internet. There are three major credit reporting bureaus. They are TransUnion, Equifax, and Experian.

1. TransUnion Consumer Relations P.O. Box 1000 Chester, PA 19022
(800) 916-8800 www.transunion.com
2. Equifax Consumer Relations P.O. Box 740241 Atlanta, GA 30374
(800) 685-1111 www.equifax.com
3. Experian Consumer Relations P.O. Box 2002 Allen, TX 75013
(888) 397-3742 www.experian.com

The free credit report will not include your credit score but you can pay an additional fee to each bureau directly if you want your score. Credit scores range from 300 to 850. With a higher credit score, you will qualify for better rates and higher loan amounts. By researching your credit before beginning the home buying process, you can eliminate and correct any mistakes that might be currently reporting.

To dispute something on your credit report:

When writing a letter of dispute, make sure to include detailed information about the error and any additional documents that support your claim that an error was made. The letter needs to include your full name, social security number, and current mailing address.

The bureau has 30 days to research your dispute and at the end of 30 days, the bureau will send you an updated credit report along with the results of their findings. If the institution which reported the error does not respond to the dispute within 30 days, then the error will be removed from your credit. I suggest disputing every negative mark on your credit. This can be a timely process but can improve your credit score tremendously if some of the negative remarks are removed.

Items that affect your credit score:

There are several other items in addition to errors that affect your credit score including: payment history, trade line information, length of credit history, new credit inquiries, and types of credit usage. The exact formula for determining your credit score is not known but the following percentages although they are approximate will help give you an idea of the importance of each category.

Payment history is the biggest factor and accounts for 35% of the score. **You should pay your bills in a timely fashion and never pay your bills beyond 30 days late.**

Trade line information accounts for 30% of the score and includes all of your outstanding debts. **You should keep your outstanding balances at least 50% below the available balance on all revolving tradelines.** This demonstrates that although you have the credit available you still maintain a conservative approach with your debt.

The length of your credit history accounts for 15% of the score. **You should use your credit that you have already established at least once a quarter to keep the account in an active status.** You should not close the accounts that you have maintained active for long lengths of time as these accounts demonstrate that you have maintained a relationship with that institution and paid on time during that period.

New credit inquiries accounts for 10% of the score. **You should keep new inquiries to a minimum and only apply for items that are necessary.** Each inquiry to your credit could lower your score by at least 5 points.

Types of credit usage for 10% of the score and includes mortgages, installment loans, revolving credit, student loans and more. You should keep a reasonable balance between the type of accounts you acquire, and you should not have too many of any one type of account.

To build your credit:

To build your credit, you should start with your bank first. You should apply for a “secured line of credit.” A secured line of credit is where you give them an amount of money, and then they loan you back the same amount of money. You make payments on this money, which is then reported to the credit bureaus.

For the highest credit score, your goal is to have 3 lines of credit that you keep below 50% of the maximum amount available which you have paid on time for one year.

Reviewing, fixing, and maintaining your credit can be time consuming and overwhelming! The benefits and rewards financially of a perfect credit history are worth every bit of emotion and time spent during the process. The ultimate reward is a great interest rate in the new home of your dreams!