

CALIFORNIA HOME SOLUTION

Quarterly Real Estate Report

WHAT YOU NEED AND WANT TO KNOW ABOUT CREDIT SCORING

WHAT DOES A CREDIT SCORE TELL YOU AND HOW WAS IT CREATED?

For Mortgage lenders they wanted to know what the probability of a borrower defaulting on their mortgage in the next 24 month. Over 1 million files were given to a company called Fair Isaac (thus FICO score) to determine the trends that would predict this outcome. After their analysis they determined that certain relationships did exist and the following is how they have weighed these trends in order of importance:

35% = credit history – how debts are paid

30% = % of outstanding balance to credit limit

15% = length of time you have had credit

10% = type of credit

10% = inquiries – how many?
100%

CREDIT HISTORY

How you are paying your monthly payments? Interesting to note that the points are more severe if you have late payments less than 6 months old and the next break is if they are over 24 months old.

OUTSTANDING BALANCES

On revolving credit – what % is your outstanding balance to the credit limit? The following are the breaks that are used to get higher scores (keep your balances below these thresholds):

70% 50% 30%

HELPFUL TIPS:

1) Use a credit card at least once in a 6-month period of time or it will not be rated for your credit score.

2) Spread your debt evenly on a % of available credit basis (75%, 50%, and 30%) over your revolving debt.

Points are given for individual cards as well as cumulative. It is better for your credit score to have the balances spread evenly over all cards rather than to have two maxed out.

AVERAGE TIME YOU HAVE HAD CREDIT

Do not close any credit cards.

This affects the total available credit you have and how long you have had credit. Remember, pay off your credit cards but do not close them and your credit score will increase significantly. If you can't afford to pay the cards to zero then pay all of them below

50% or 75%. Remember these are exact

Maximums. For example, if your balance is 51% it will count in the category of under 75%.

TYPE OF CREDIT

Preferable credit: Mortgage, auto, installment and revolving accounts. This means that it is a benefit to have a mortgage and auto loan.

INQUIRIES

Inquiries for mortgages and auto loans count the same and if they are done within 30-day period of time they will count as one. Each inquiry can have an effect of 5-15 points. Inquires count for a 12-month period.

The purpose of these quarterly reports is to be informative and educational on matters that are of interest to you and your real estate investment. At present we have not decided if the report will be distributed through e-mails or regular mail.

If you are interested in being on our e-mail list and/or you have a topic you would like me to address please e-mail me back at manny@cahomesolution.com