

## Start Improving Your FICO (Credit) Score Today

Are you sick and tired of being turned down for the loans that you seek? The problem is most likely your credit rating on the FICO scale.

No idea what a FICO Scale is? The FICO scale is a Score that creditors use to decide their risk when considering your request for credit or loan application. Many factors go into your Score, which we will go into further in this guide. The FICO scale ranges from 300 to 850, with a Score of 850 being high and 300 being low.



Improving your FICO Score is a test of responsibility. If you have a low Score, that can send a red flag to creditors and thus cause a denial of credit. This Credit Guide can help you improve your FICO Score so you can finally be approved for all your credit and loan needs. Improving your FICO Score is similar to losing weight, it takes time and in most instances, there is no true quick fix—although it can be easy to fix your Score overtime. Bad information can be as dangerous as ignorance, and with the FICO scale neither is rewarded. This guide will give you the knowledge to overcome negative debt and achieve the financial status that you have always dreamed of.

What is the best way to improve your score? Simply manage credit responsibly over time. By following the helpful tips in this guide, you can save hundreds of dollars from credit payments and high interest rates.

Most people don't understand that the FICO scale has leveled the field and takes the bias out of credit decisions. This is good. No more is a decision based on demographic information such as your gender, race, religion, marital status and nationality. This information is not considered in your FICO Score. Now lenders can focus on facts related to credit risk rather than personal feelings!

Because of FICO Scores, people acquire loans faster. Thanks to the use of FICO Scores the mortgage application process that used to span over a period of weeks now takes merely a couple of hours! This scoring process also allows retail stores, Internet sites, and other lenders to make lightning fast credit decisions.

FICO scoring also allows credit mistakes to count for less! Over time, past credit mishaps begin to fade and eventually become replaced by recent good credit payments. You no longer have to fear getting turned down solely because of past problems in your credit history, such as bankruptcies.



In the long run, your FICO Score can give you the extra help in getting the loan or mortgage that you seek. The use of credit Scores gives lenders the confidence to offer loans to more people; this is because they have better knowledge of the risk they are taking. The FICO scale offers mutual benefits; it allows you the borrower and the lender to achieve more from your credit process.



Take the knowledge in this guide and dispel the mystery and myths and realize that your credit Score is in your control. It is a very powerful way of expressing who you are financially... And better yet, YOU have the power to start over today!

The following section is going to break the FICO Score into its measured parts. Remember that all the parts are a factor that play with, and against each other.

**It is Essential that you understand what the Credit Score is designed to do.**

*This must remain as your central thought at all times, when working with the Fico Credit Score.*

**The Score was designed to determine, or predict, the *likelihood* that the borrower is going to have a 90-day late on any trade-line in the next 24-months**

In some cases after credit has been repaired you can do what is called Rapid Re-Score. This something you may do if incorrect or negative activity has been corrected to get a new Score. Instead of it taking months for the Score to adjust, it can be done in days—but before you do a Rapid Re-Score or attempt any repair of credit you need to understand two things:

- a. Know what makes the FICO Score go up, and
- b. Know what makes the FICO Score go down.

There are 10-different cards, or categories, that borrowers can be put in based on different criteria.

- A. 8-categories are for those w/ good credit, and
- B. 2-categories are for those w/ bad credit.
  - a. #9 is for those w/ a 60-day late, and
  - b. #10 is for those with a Bankruptcy.

**Score: (what comprises the Score and where does the weight lie)**

### ***I. 35% of Score is Payment History:***

Three key words

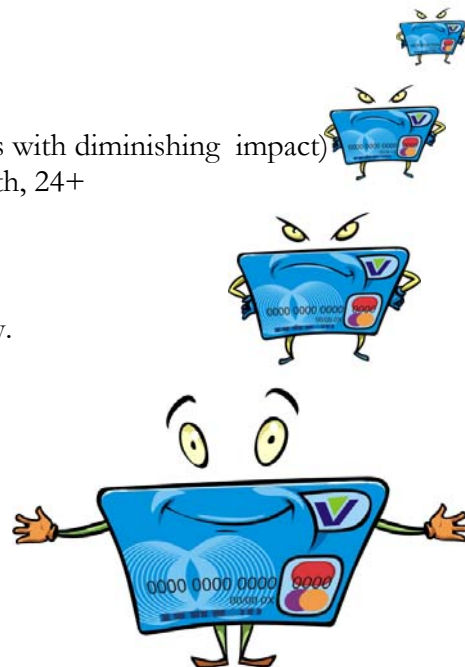
- A. Recency: when did it happen
- B. Frequency: Late how often (broken in to differing groups with diminishing impact)  
30-day, last 6-months, 7th-month thru 23rd month, 24+
- C. Severity: Judgment, collection, etc.

- There is NO difference in weight given to any trade-line.
- Any new 30-day late can drop the Fico Score dramatically.

### ***II. 30% of Score is on Balances (of revolving credit):***

There are two cut-off points on revolving credit:

- A. Using in excess of 50% of available credit, and
- B. Using in excess of 70% of available credit.





There are also two different ways it is figured.

- The first is called the *Primary Code*, and
- The second is called the *Secondary Code*.

Both have an effect on the Score, so you want to make sure that both are at the proper ratio. More weight is given to the Primary Code.

- *The Primary Code* is figured on all of the available credit open to the borrower, and then how much of it is being used. (Example: 5-credit cards with a \$5k available on each equals 25k. If only 2k is used on each card, then only 40% of the available credit is being used.)
  - *The Secondary Code* looks at each Credit card and determines the ratio on that card alone. If one card has a 5k available credit with 4k being used, it would have 80% of the available credit being used.
- **Important note: The Fico Score has no memory of past available credit ratios. Get the proper ratios, and your Score will immediately adjust!**

**EXCEPTION to the Revolving Credit Rule:**

**Home Equity Line of Credit**, is treated like an installment account if the balance/credit limit is high (i.e. over \$32,000 *\*\*This amount is always changing, so you can never know the number exactly.*)

- The Fico looks for abnormally large amounts of available credit and thinks it is a HELOC. (Don't know exactly what the amount is, and it adjusts periodically), but it is given much less weight on the scoring because it thinks it is an Installment Loan.
  - Example: \$50k available on a HLOC w/ \$49k used doesn't fall in to the revolving loan Primary/Secondary code rules.

**III. 15% is Credit History; how long you have had the account (without a 30-day late).**

- This measures the AGE of the account.

**IV. 10% is Type of Credit**

- **Important note: Remember the FICO scale counts open AND closed accounts for 7-years.**

Example of types:

- Revolving
- Installment (auto)
- Finance Company Installment loans (Furniture Stores, Electronic Stores, etc)

*A very bad type of account to have.*



**V. 10% is on Inquiries: The Score the Mortgage Industry uses is the Classic Model.**

- Only looks at the last 12-months
- Amount allowed is based on credit history (it can vary person to person depending which card, or category they are in)
  - Allowed inquiries are between 5 and 7 per year.
- Your Score is hit incredibly hard if you:
  - Have few accounts, with
  - A short history, or
  - If you have had a Bankruptcy recently.
    - **This can have up to a 30-point impact!!!!**

Trivia worth remembering: 6 or more inquiries in a year raise the likelihood of a Bankruptcy in the next 24-months

**KILL THE MYTH:**  
**PROMOTIONAL INQUIRIES HAVE NOTHING...**  
**LET ME REPEAT “NOTHING” TO DO WITH THE SCORE...**  
**BUT THEY SURE DO GENERATE A BUNCH OF JUNK MAIL!**

**Mortgage and Auto inquiries are handled differently than any other inquiries.**

The Fico Score model realizes that the many mortgage inquires in a short period of time are for 1-extension of credit for the borrower.

- Any Mortgage inquiry with a 30-day period is counted as 1-inquiry.
- Also any Mortgage inquiry that is with 14-days of the last one only counts as one... (You could pull your borrowers credit every 13-days for the entire year and have it only count ONCE!!! *Unbelievable, but true, and useful to know!*)

**VI. Bankruptcy; Card, or Category #10 (Tax liens live here too!)**

Score is based on:

- A. Recency
- B. % of trade-lines in the BK,
- C. # of inquires since BK, and
- D. Post-performance since BK



So, why can you have a person 1 year out of BK with a 501 Score and another with a 640 Score?

- If trade-lines were kept out of BK and good payment performance with no inquiries... you would have a rapidly repairing Score.

Things to remember about a BK:

- It lives for 10-years... just mess-up once and it will hammer your Score!
- You can get a very good Score... but remember to be diligent in maintaining good performance.
- *REMEMBER:* The FICO scale has a memory when it comes to 30-day late on the Bankruptcy Card and will become a vicious monster when a 30-day late or Inquiries happen.

### ***VII. Collections: Collection information stays on credit report for 7-years***

There are two codes that can be in effect with collections:

- A. Recency Code, and
- B. the Collection Code

With this in mind, remember

- That it will only help your Score to pay-off recent collections; it shuts off that Recency code, but you still have the other, and
- If the Collection is older than 2-years old you will *ALWAYS* have a drop in Score when you pay it off.

~~Time the pay-off right so it doesn't bring your Score down when you need a great Score~~

### ***VIII. Basics: Things to know...***

- A. Classic Credit Models: two most commonly known:
  - a. Classic Mortgage Fico Score: 300-850 point range
  - b. Classic Auto Fico Score: 300-900 point range
- B. To earn a Score: you must have the following:
  - a. 1-trade-line at least 6-months old
  - b. 1-trade-line updated in the last 12-months
  - c. SSN must NOT match with the list of dead people.
  - d. And ... you must not be on the United States of America's Terrorist list.



C. Divorce:

Joint accounts that a Judge gives to the ex-spouse as their responsibility are still considered yours, and will affect your credit for good and/or bad, depending on how they manage the account. That goes for any co-signed loan.

D. How do you help others build credit? (*great way to help your kids*)

Secured credit card.

*Make sure that they do NOT pull credit to give you the card, especially if you have had a BK!*

E. Bankruptcy Card:

It is important to remember that the BK Card only looks forward, not backward. It is a sleeping giant that will hammer you if you do something that shows that bad decisions are being made again (in its opinion, but when it comes to the Score it is the only opinion that counts), but the BK Card will not penalize you because you had a BK if you manage your credit well...

...stay diligent for 10 years, after that the BK beast is dead!

**When you are ready to purchase, re-finance a home, or apply for any extension of credit...**



...Honesty is the best policy. That certainly holds true when applying for a mortgage. If you think there might be any credit problems—tell me up front, that way I can make sure that all is taken care of to ensure a smooth purchase or refinance experience. There is no point in trying to hide something that will show up in your credit history. Of course, even if you think your credit record is fine, there may be detrimental comments or wrong information on your report which I will ask you about, and if they are not yours, the error can get resolved. Guard your credit; it is the health of your financial life.



Paul S. Widmark, Sr. Mortgage Broker with AmeriMortgage Inc.



I strive to make the home-buying process simple and easy; making it uncomplicated for just about anyone to get their dream home, regardless of their past credit history. One of the ways is through education, and empowering you to make sure that you get the best deal available! I systematically and methodically take you one step at a time over any hurdles we may encounter. My trained, professional team enables our clients to enjoy the peace of mind that they deserve. If you cannot find the home of your dreams, I can put you in touch with a seasoned professional who specializes in locating homes in your desired location and price range. And most importantly, I'll arrange to loan you the money you need—with payments you can comfortably afford. The reason I am called the “People’s Broker” is because I put you first; –I look forward to serving you!

*Give me a call today!*



If you have found this guide helpful you can request this via E-mail and are welcome to pass it on anyone that would find the information helpful...

Friend, Family, or Organization.

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Notes: