

CREDIT SHOULDN'T HOLD YOU BACK

When you start thinking about buying a home, it's important to consider where your credit stands.

If you think you can't buy a home because of your credit history, there are options to help you realize your goal.

[LEARN MORE ABOUT CREDIT AND HOW IT IMPACTS LOAN OPTIONS](#) ➔



WHAT IS A CREDIT SCORE?

According to Advantage Credit, your credit score is a number that represents your statistical likelihood of paying back credit. Credit scores are a “snapshot” of a moment in time, so your score can fluctuate. Each industry (auto, mortgage, credit card) uses different models to calculate your score, so your credit score can vary.

YOUR CREDIT SCORE

AMOUNT OWED **30%**

The amount you owe relative to your available credit can impact your score.

The closer you are to your limit, the greater the chance your score will be negatively affected.

LENGTH OF CREDIT HISTORY **15%**

- How long have your credit accounts been established?
- How long has it been since you used certain accounts?

WHAT MAKES UP MY CREDIT SCORE?

10%
NEW CREDIT

Research shows that opening several credit accounts in a short period of time does represent a greater risk – especially for people who do not have a long-established credit history

35% PAYMENT HISTORY

- On-time payments
- Length of positive credit history
- Severity and quantity of delinquencies

10% TYPES OF CREDIT IN USE

The following shows an example of what a healthy mix of credit might look like

- Two installment loans
- Three revolving accounts with balances
- Balances on revolving debt below 30% of the high credit
- No collection accounts
- No public records
- No foreclosures
- No late payments

How can I improve my credit score?

- Make payments on time
- Maintain low balances on revolving accounts
- Don't apply for new credit until you truly need to

If you are having trouble establishing credit, you can apply for a secured credit card. This type of card is secured by a savings account that is equal to the limit of the credit card. Typically, after about a year of demonstrating a good payment history, you'll be able to change your secured card into an unsecured card.



YOUR CREDIT REPORT

How long do accounts stay on your report?

PUBLIC RECORDS:

- Chapters 7 & 11 bankruptcies remain for 10 years from the date filed
- Chapter 13 bankruptcies—open or dismissed – remain for 7 years from the date filed
- Unpaid tax liens remain indefinitely
- Paid tax liens and judgments remain for up to 7 years from the release date
- The National Consumer Assistance Plan has reduced the frequency with which tax liens and judgments are reported

COLLECTION ACCOUNTS:

- Remain for 7 years from the original delinquency date reported by original creditor*
- Collections that do not arise from a contract (e.g. library fines or traffic tickets) should not appear on a credit report
- Credit bureaus will reject any reporting of a collection that is not at least 180 days old - this gives consumers a chance to pay the debt before it is reported

CREDIT ACCOUNTS:

- Accounts paid as agreed remain for up to 10 years
- Accounts not paid as agreed remain for 7 years

CREDIT QUESTIONS

Why does your credit score vary with different credit reporting bureaus?

The information creditors provide to credit bureaus is voluntary and they are not required to report information to each bureau. In fact, some companies don't report at all. Some creditors prefer to report to the bureau located in the closest geographical area or through another preference.

Will a collection be removed from your credit report once it has been paid off?

Paying off a collection account will not remove it from your credit report unless the collector agrees to delete the account as a "goodwill deletion."**

What if you discover that there is incorrect information on your credit report?

If you see incorrect information on your report, you may be a victim of identity theft or fraud. You could also have a mixed file, which occurs when your file has been mixed with someone else's. Contact the creditor immediately and contact Equifax, Experian, and TransUnion to learn what direct actions you need to take.

Equifax:
www.equifax.com

Experian:
www.experian.com

TransUnion:
www.transunion.com

Get more information on credit reports at www.advcredit.com

** Information based on <https://www.nerdwallet.com/blog/finance/get-collections-off-credit-report/>





NON-TRADITIONAL CREDIT **DON'T YOU NEED PERFECT CREDIT TO BUY A HOME?**

Many people think that you must have near-perfect credit to qualify for a mortgage. In truth, there are options for borrowers who previously thought they couldn't qualify.

Non-traditional credit offers an opportunity for borrowers to supplement their credit score and demonstrate to lenders that they have a solid payment history on non-credit accounts.

SOME EXAMPLES OF NON-TRADITIONAL CREDIT ARE:

- Rent payments
- Payment history on internet, cell service, cable, water, electricity, etc.
- Insurance payments
- Payment to childcare providers
- 12-month history of regular deposits into a savings account (at least quarterly) that are not payroll deducted
- Payments on loans from department, furniture, or rent-to-own stores
- Personal loan, with terms in writing, supported by canceled checks

What types of home loans might be available with non-traditional credit?

Even if you don't have a perfect credit history, purchasing a home may still be within reach. Many customers use FHA¹ loans to purchase a home because these loans allow for qualification using non-traditional credit.

If you don't have traditional credit, reach out to our team and we can help you develop a strategy.

¹ Milestone Mortgage Group is not endorsed by, nor acting on behalf of or at the direction of the U.S. Department of Housing and Urban Development, Federal Housing Administration, U.S. Department of Agriculture, Veterans Administration or the Federal Government.

DEBTS & BANKRUPTCY



Can you become a home owner again if you've been through a bankruptcy or foreclosure?

Individuals who previously experienced bankruptcy or foreclosure can make their dream of home ownership a reality. After a designated waiting period, borrowers still have a wide range of options, like FHA, VA, USDA¹, Fannie Mae, Freddie Mac loans, and more.

Buying a House after a Bankruptcy, Foreclosure, or Short Sale:

THE WAITING PERIOD CHART

| BUYING A HOUSE AFTER | FORECLOSURE | SHORT SALE | DEED IN LIEU | BANKRUPTCY CHAPTER 7 | BANKRUPTCY CHAPTER 13 |
|--------------------------|---|---|--|---|---|
| FANNIE MAE LOAN (FNMA) | 7 years from public trustee's deed or sheriff's sale | 4 years from public trustee's deed | 4 years from execution of deed | 4 years from discharge or dismissal date ² | 2 years from discharge date. 4 years from dismissal date. |
| FREDDIE MAC LOAN (FHLMC) | 7 years from public trustee's deed or sheriff's sale | 4 years from public trustee's deed - provide HUD 1 | 4 years from execution of deed | 4 years from discharge or dismissal date | 2 years from discharge date. 4 years from dismissal date. |
| FHA LOAN | 3 years from the date the claim is paid; 1-3 years with 3 rd party extenuating circumstances | If mortgage late payments prior to short sale, 3 years. If no mortgage or installment late payments within past 12 months leading up to short sale, no waiting period | 3 years or 1-3 years with 3 rd party documented extenuating circumstances | 2 years from discharge, 1-2 years with 3 rd party documented extenuating circumstances | 1 year payout elapsed and all required payments made on time to the court. Must receive permission from the court to enter into new debt. |
| VA LOAN | 2 years from public trustee's deed | No waiting period if no mortgage late payments in the past 12 months | 2 years from execution of deed | 2 years from discharge date | 1 year payout elapsed and all required payments made on time to the court. Must receive permission from the court to enter into new debt. |
| USDA LOAN | 3 years from date of public trustee's deed to app date | 3 years from date of public trustee's deed to app date | 3 years from execution of deed to app date | 3 years from discharge date to date of loan app | 1 year payout elapsed and all required payments made on time to the court. Must receive permission from the court to enter into new debt. |

¹ Milestone Mortgage Group is not endorsed by, nor acting on behalf of or at the direction of the U.S. Department of Housing and Urban Development, Federal Housing Administration, U.S. Department of Agriculture, Veterans Administration or the Federal Government. ² Shorter timelines may apply with 3rd party documentation of extenuating circumstances.



As the popularity of student loans rises, lenders have created opportunities for borrowers with educational debt to become home owners.

WILL STUDENT LOANS PREVENT YOU FROM BUYING A HOME?

Fannie Mae is making it easier for buyers with student loan debt to purchase or refinance a home by:

- 1** Changing how debt-to-income ratios are calculated for borrowers with student loans
- 2** Expanding guidelines that allow borrowers to pay off student loans without the typical rate increase that's required for cash-out transactions
- 3** Excluding student loan payments from debt-to-income ratio calculations when a borrower can verify those payments are made by a family member with 12 month's canceled checks

Don't let concerns about your credit or debt history keep you from learning more about home ownership – there are many options that could work for your unique situation.

FRAUD AND IDENTITY THEFT



Fraud and identity theft are devastating for individuals and costly for our economy.

Advantage Credit states that the types of fraud that most commonly impact consumers' credit scores are:

- 🔖 Social security fraud
- 🔖 Identity theft
- 🔖 Fake websites or phishing
- 🔖 Credit report fraud
- 🔖 Stolen credit card numbers

How can you take steps to prevent fraud and identity theft?

- **Use a secured mailbox**, like a PO Box, and don't mail out sensitive information or checks from home
- **Destroy or Secure** records, statements, credit card receipts, ATM receipts, and gas station receipts
- **Protect** your Social Security number
- **Always keep an eye on** your credit card and ATM card, or pay with cash when possible
- **Don't give out personal information** unless you are 100% sure who you're talking with
- **Review** your credit card and bank statements
- **Be aware** of when bank statements arrive in the mail and contact the bank or organization if you don't receive them by the usual date
- **Be vigilant** for possible phone, email, and website scams
- **Keep an eye on your child's credit** with free credit inquiries and freezes (every state is required to offer this service)



What are some signs that you've become a victim of fraud or identity theft?

- o Phone calls or mail stating that you've been approved or denied for credit you didn't apply for
- o Utility, credit card, or phone statements with your name and address for an address or account you didn't apply for
- o A collection agency attempts to collect on a default account you didn't open
- o You think some of your mail might be missing

What should you do if you believe you're a victim of fraud or identity theft?

1. Contact the Federal Trade Commission
2. Contact other agencies who might be involved:
 - U.S. Postal Service
 - Internal Revenue Service
 - Social Security Administration
3. Call the fraud department for Equifax, TransUnion, and Experian
4. Contact the creditors who may be involved
5. Contact your bank and financial institutions, as well as major check verification companies
6. Use the free lock feature available on the mobile apps for Equifax, TransUnion, and Experian



YOUR RIGHTS AS A CONSUMER

The Consumer Bill of Rights under the Fair Credit Reporting Act states that:

- You must be told if information in your file has been used against you
- You can find out what is in your file
- You can dispute inaccurate information with the Credit Reporting Agency
- Inaccurate information must be corrected or deleted
- You can dispute inaccurate items with the source of information
- Outdated information may not be reported
- Access to your file is limited
- Your consent is required for reports that are provided to employers or reports that contain medical information
- You may seek damages from violators

YOUR CREDIT



CAN YOU HIRE SOMEONE TO IMPROVE YOUR CREDIT?

The only thing credit repair companies can do is dispute items on a consumer's credit report. You can do this yourself at no cost!

One of the easiest ways to get started repairing your credit is by going to **www.AnnualCreditReport.com** to access your credit reports from TransUnion, Equifax, and Experian so you can see what may need to be disputed.

Consumer Resources:

If you're looking for additional information or support regarding your credit, here are some important links.

Equifax

Equifax.com/personal/contact-us/

Experian

Experian.com/help/

TransUnion

TransUnion.com/customer-support/main

Advantage Credit

AdvCredit.com/consumer-credit/

Annual Credit Report

AnnualCreditReport.com

If you have questions about how your credit history could affect the mortgage process, call me today. As a home financing expert, I'm happy to help you understand what loan options are available to you.



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