

HOW TO IMPROVE YOUR CREDIT SCORE

YOU CAN HELP YOURSELF qualify for a home loan by taking these steps to improve your FICO number

Decide to become a homeowner and, inevitably, you'll have to confront your credit score.

You can try to improve your odds of qualifying for a home loan by saving more for a bigger down payment. But your credit score is the most important factor in determining what interest rate you'll pay – or whether you qualify for a mortgage at all.

Your credit score, commonly known as your FICO score, is derived from your history of taking on debt and paying it off.

Make the wrong financial move in the weeks or even months before you sit down

with lenders to buy that dream home and you could end up paying a lot more for your loan.

“With the way the economy has been, it takes a higher FICO score now to get the best (interest) rate than it did a couple of years ago,” said Barry Paperno, manager of consumer operations for Fair Isaac Corp., the company behind the FICO score.

FICO scores range from 300 to 850, with the highest reflecting the best credit risk. The median FICO score nationally is around 720 to 723, according to Fair Isaac.

Unless you are a first-time buyer or have a large down payment, lenders will want to see a FICO score of 680 or higher, said Robert Satnick, chairman of the California Mortgage Bankers Association and CEO of Prime Financial Services in Van Nuys, Calif.

“The higher their credit score the more flexible the lender is going to be, because it's just a believable benchmark of their ability to manage their finances and their credit,” he said.

Here's how it works

How your FICO score is generated depends on your credit history, which is collected by three major credit reporting agencies: Equifax Inc., Experian Group and TransUnion LLC.

The first step in gauging your FICO-worthiness is to pull your credit report from each of the credit bureaus.

The reports show how much you owe, what kind of debt you have and your bill-paying habits. They also show any serious credit problems, such as a bankruptcy.

The next step is getting your FICO score.

That can be confusing because the major credit reporting agencies each sell their own versions of an overall credit score, so-called educational scores,

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