

Homeowner's Insurance and Your Credit History

Unless you have recently purchased a home or refinanced the home you're currently living in, you may not be aware that insurance companies are now looking at credit scores. According to the *Insurance Information Institute* (a non-profit organization, www.iii.org), insurance companies have learned that a person's credit history is an accurate predictor of risk. Lenders also look at a person's credit history, but they do not assess the same factors as insurance companies.

According to Fair, Isaac & Company (a provider of consumer credit scoring models and formulas, www.fairisaac.com) insurance companies assess and weight these factors:

Factors	Weighting
How much you owe	30%
Length of credit history	15%
Payment history; e.g. late payments, foreclosures, liens, etc.	35%
Types of credit; e.g. retail, credit cards, finance companies, etc.	10%
New credit; i.e. how long it's been since you've opened a new account	10%

If you have a good or great credit scores, it is likely that your homeowner's insurance rate will be lower. If your credit scores are sub-standard, you need to do two things: (1) work on repairing your credit (an excellent book: *Credit Repair*, by Robin Leonard & Deanne Loonin); and (2) shop around for different lenders and different homeowner's insurance providers. You can also lower your rate by raising your deductible amount.

If you need to repair your credit, keep in mind that:

- You are not alone.
- You have legal rights.
- You can do it by yourself without paying high fees for an attorney or credit repair clinic.
- Nobody's credit is too "poor" to repair.
- The first step is to set a budget and stick to it.
- The second step is to cut up all or most of your credit cards.



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Recommendation:

Do a credit check on yourself once per year to stay on top of your credit scores and take the appropriate steps to improve your credit history and lower your homeowner's insurance rates. The three major credit bureaus who can provide you with information on your credit history are:

1. Equifax (www.equifax.com)
2. TransUnion (www.tuc.com)
3. Experian (www.experian.com)

I am including my business card if you would like to find out what how much you might save if you moved to a less expensive home (which many people are doing). I can also set up a free consultation for you with my preferred lender to evaluate whether re-financing is also an option.