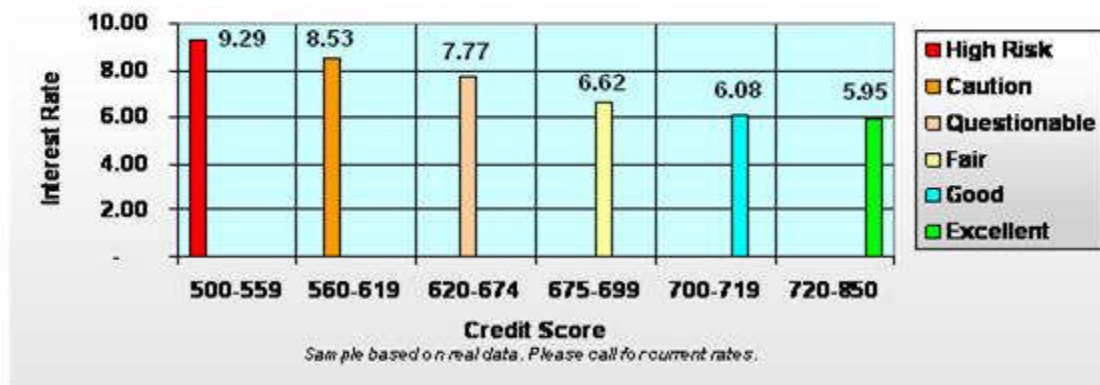


Credit Scoring 101

Your credit score affects every major purchase you make. It has an enormous impact on a borrower's ability to purchase a home and can mean the difference between getting a good interest rate and the home of their dreams, or qualifying for a loan at all. For this reason, it is important for borrowers to understand the credit scoring process, and to know what their credit score is when they look to obtain mortgage financing.

What the credit scoring model seeks to quantify is how likely the consumer is to pay off their debt without being more than 90 days late on a payment at any time in the future. Credit scores can range between a low score of 300 and a high of 850. Commonly, scores range from 400 to 800. The higher the credit score is, the less likely the borrower will default on their loan. It's rare but one out of approximately 1300 people in the United States have a credit score above 800. These borrowers walk away with the best interest rates. On the other hand, one out of eight prospective homebuyers are faced with the possibility that they may not qualify for the loan they want because they have a lower score between 500 and 600. Here is a sample chart that illustrates how an underwriter interprets the score in terms of risk, and how the interest rate is affected.



You have the opportunity annually to receive a free credit report from the three credit reporting agencies. Unfortunately, these reports will not have your credit score. A small fee is assessed when ordering a report with your credit score. **Contact me** if you would like additional information about ordering a report.

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