



get ready

MGIC

KEYS TO SUCCESSFUL HOMEOWNERSHIP

Understanding Your Credit Report

If you're getting ready to buy a home – and even if you're not – the importance of good credit can't be stressed enough. Lenders review your credit history to determine your creditworthiness, or your ability and willingness to repay debt. They will carefully examine your past behavior to determine whether lending money to you is a good risk.



Your credit report is used as a measure of your ability to manage your finances over time and under various circumstances.

Get Ready to learn how to... *Understand your credit report*

If you've ever applied for a credit card, car loan, home loan, or even for insurance, you have a credit report. This report is filled with all kinds of information about you: where you live; how you pay your bills; whether you've filed for bankruptcy, or been sued.

Creditors, employers, landlords and insurers purchase this information to evaluate and predict how likely you are to repay your debts and make payments on time. Each creditor analyzes your information differently to determine whether you are a good or bad credit risk; that is, whether to extend credit to you.

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to understand your credit report.

Three national credit reporting agencies — Equifax, Experian and TransUnion — gather data about you from sources that have extended you credit on an ongoing basis and continually update your credit report.

Each of the reporting agencies are independent of each other. Each uses a different format and design for its credit reports. However, the information found in each agency's credit report is fundamentally the same and organized into four sections:

1. Personal information includes your name, current and recent addresses, Social Security number, date of birth and employment history. This is all information you've provided creditors. It's used to verify your identity and make sure the information you've reported is correct.

2. Account or credit history, a major portion of the report, lists detailed information regarding your current and past credit accounts. For each account, your credit report will list the type of account (revolving credit, student loan, mortgage, etc.); the date you opened the account; your credit limit or loan amount; the account balance; and your payment pattern during the past two years.

The credit report may reflect Trended Credit Data. This data allows lenders to view the monthly payment amounts you make on your accounts over time. This information reflects whether you tend to pay off revolving credit lines such as credit cards each month, or if you tend to carry a balance from month-to-month while making minimum or other payments.

ABC Credit Card	ACCT TYPE	REPORTED	RE CREDIT	PAYMENT	
	REV	05/16	\$360	\$35	
	TERM MIN	OPENED 10/11	BALANCE \$250	PAST DUE \$0	
Trended Data	04/16	03/16	02/16	01/16	12/15
Scheduled (\$)	46	45	35	45	44
Actual (\$)	50	0	90	30	50
Balance (\$)	310	318	276	284	273
	04/15	03/15	02/15	01/15	12/14
Scheduled (\$)	45	35	46	45	35
Actual (\$)	0	66	60	0	81
Balance (\$)	335	248	309	326	255

The report also states whether anyone else (your spouse or co-signer, for example) is responsible for paying the account. Closed or inactive accounts may be included as well.

3. Inquiries lists everyone who accessed your credit report within the last two years. (Under the Fair Credit Reporting Act, credit grantors with a permissible purpose may inquire about your credit information without your prior consent.) The list includes your own requests for credit, called voluntary inquiries, as well as involuntary inquiries, including lenders who may have ordered your credit report to offer you a pre-approved credit card.

Checking your own credit or subscribing to a credit monitoring service does not count as a voluntary inquiry and will not harm your score.

You may also notify the three major credit bureaus if you do not want personal information about you shared for promotional purposes. You can do this by writing a letter (a sample written by the Federal Trade Commission is provided on the back page of this article) and sending it to each of the credit bureaus:

Equifax, Inc.
equifax.com

Experian Consumer Services
experian.com

TransUnion
transunion.com

OPTING OUT

You have the ability to opt-out of having pre-approved credit offers sent to you.

Call: 1-888-5-OPTOUT (567-8688)

Or visit: optoutprescreen.com to stop these offers for up to two years. You will be asked for personal information, including your Social Security number. However the information remains confidential and is only used to process your request to opt out of receiving pre-screened offers of credit.



4. Public record information includes information available to the public regarding legal matters that may affect your credit. Such items include state and county court records related to bankruptcies, tax liens or monetary judgments.

What’s not in a credit report

Almost as important as what is on your credit report is what is not. No information pertaining to race, religious preference, medical history, personal lifestyle, personal background or political preference is included. Information about your checking or savings account balances is not included either.

Check your credit report

Because your credit report changes so often, it’s important to review the information on a regular basis. In fact, you are entitled to receive a free copy of your report from each of the agencies once a year. You can order your free reports at annualcreditreport.com.

Once you have the three reports, compare them and verify that your personal information — including your Social Security number, mailing address, birth date and employer — is correct on all three reports. Thoroughly compare the account types, status, dates and limits. Check the inquiries listed on each to see who has been requesting your credit history.

What if I find a mistake?

If you find inaccurate information on your credit report, your first step should be to contact the creditor or lender. Their contact information should be listed on the report. It is possible they made an error. If the creditor/lender concurs that an error has occurred, it must report and correct the error to the credit-reporting agency.

If the problem cannot be resolved, contact the credit reporting agency in writing. Your letter should include your name, mailing address, birthday, Social Security number, name of creditor/lender and the account number in question. State specific reasons as to why you disagree with the item and be sure to sign the letter.

Attach a copy of your credit report and other documents that support your claim. Keep copies for yourself, including the letter, and use certified mail.

By law, the credit agency has 30 days to investigate and reply to your letter.

How long does negative information remain on a credit report?

Generally speaking, the more recent the negative item the more impact it may have on your credit score. For example, a collection that is six weeks old will have a greater impact than one that is six years old.

Missed payments and most public record items remain on the credit report for 7 years, while bankruptcies remain for 10 years.

Stay on top of your credit

Reviewing your credit report at the beginning of the home-buying process will put you in a better position to move smoothly through it. You’ll know whether there are areas you need to question, improve or update. You’ll have control over the number of credit offers you receive. You’ll know that you’re presenting your lender with the most current information and will be prepared to answer questions about items on your report.

Yes, it’s a little bit of homework, but doing the research and being prepared up front can help get you to the closing table sooner.

What a lender looks for on your credit report

When evaluating your credit report, a lender typically will look at the last 24 months for payment history on:

- revolving accounts, such as MasterCard® or VISA;
- installment loans such as student, auto or home equity loans; and
- housing payments, including rent or current mortgage payments.

In general, an acceptable payment history over the past 12 months would include:

- Revolving Credit - No payments 60 or more days late; 2 or fewer payments 30 days late.
- Installment Credit - No payments 60 or more days late; 1 or fewer payments 30 days late.
- Housing - No late payments.



Sample Opting Out Of Marketing List Letter/Email

Date:

To whom it may concern:

I request to have my name removed from your marketing list.

Here is the information you asked me to include in my request:

First, Middle & Last Name

(List all name variations, including Jr., Sr., etc.)

Current Mailing Address

Previous Mailing Address

(Fill in your previous mailing address if you have moved in the last six months.)

Social Security Number

Date of Birth

Thank you for your prompt handling of my request.

Signature

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This publication is proudly sponsored by MGIC, the nation's premier provider of mortgage

insurance. Since its inception, MGIC has helped millions of American families achieve the dream of homeownership. We remain committed to helping potential home buyers to better understand the mortgage process and to overcome the single greatest hurdle in homeownership, the down payment. When you are ready to buy a home, be sure to ask your lender how you can reduce the required down payment by financing with mortgage insurance from MGIC.