Understanding Your Mortgage

credit score



Lenders estimate your ability to pay back money borrowed based on your credit score. A high credit score can result in a lower interest rate and save you thousands of dollars in interest paid over the life of the loan.

Your credit score will vary from industry to industry, because they all look at different factors to determine their risk. You will never have the same credit score for mortgage that you have for auto, insurance, or credit card companies. For mortgages, we prefer the FICO score. It tends to be the most accurate because it's approved by Fannie Mae and Freddie Mac.

FICO scores are calculated from many different pieces of credit data in your credit report. This data is grouped into five categories as outlined below, and the percentages are based on the importance of each category's impact on your credit score. Your FICO score considers both positive and negative information in your credit report. Late payments will lower your FICO score, but establishing or re-establishing a good track record of making payments on time will raise your score.

Breaking Down Your Score

- **35% Payment History**
  Recent delinquency, frequency, severity
- **30% Amounts Owed**
  Amount owed on accounts relative to total available credit
- **15% Length of Credit History**
  Number of credit cards/length of time opened
- **10% New Credit Inquiries**
  Types, amount, and frequency of inquiries
- **10% Credit Mix**
  The mix of credit types (auto loans, credit cards, mortgage, etc.)



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