**Get Your Credit Score in Shape Before Buying a Home**

How strong is your credit? Cleaning up your credit is essential before you make any major financial moves. Having a bad score can hurt your chances of being able to open a credit card, apply for a loan, purchase a car, or rent an apartment.

It is especially important to have clean credit before you try to buy a home. With a less-than-great score, you may not get preapproved for a mortgage. If you can’t get a mortgage, you may only be able to buy a home if you can make an all-cash offer.

Or if you do get preapproval, you might get a higher mortgage rate, which can be a huge added expense. For example, if you have a 30-year fixed rate mortgage of $100,000 and you get a 3.92% interest rate, the total cost of your mortgage will be $170,213. However, if your interest rate is 5.92%, you’ll have to spend $213,990 for the same mortgage - that’s an extra $43,777 over the life of the loan! If you had secured the lower mortgage rate, you could use that additional money to fund a four-year college degree at a public university.

So now that you know how important it is to maintain a good credit score, how do you start cleaning up your credit? Here, we’ve collected our best tips for improving your score.

**Talk to a loan professional**

You can protect your score from more damage by getting a loan professional to check your credit score for you. A professional will be able to guide you to whether your score is in the ‘good’ range for home buying. Plus, every time that you request your own credit score, the credit companies record the inquiry, which can lower your score. Having a professional ask instead ensures that you only record one inquiry. Once you know your score, you can start taking action on cleaning up your credit.

**Change your financial habits to boost your score**

What if your score has been damaged by late payments or delinquent accounts? You can start repairing the damage quickly by taking charge of your debts. For example, your payment history makes up 35% of your score according to [myFICO](http://www.myfico.com/CreditEducation/WhatsInYourScore.aspx). If you begin to pay your bills in full before they are due, and make regular payments to owed debts, your score can improve within a few months.

Amounts owed are 30% of your FICO score. What matters in this instance is the percentage of credit that you’re currently using. For example, if you have a $5000 limit on one credit card, and you’re carrying a balance of $4500, that means 90% of your available credit is used up by that balance. You can improve your score by reducing that balance to free up some of your available credit.

Length of credit history counts for 15% of your FICO score. If you’re trying to reduce debt by eliminating your credit cards, shred the card but DO NOT close the account. Keep the old accounts open without using them to maintain your credit history and available credit.

**Find and correct mistakes on your credit report**

How common are credit report mistakes? Inaccuracies are rampant. In a 2012 [study by the Federal Trade Commission](https://www.ftc.gov/news-events/press-releases/2015/01/ftc-issues-follow-study-credit-report-accuracy), one in five people identified at least one error on their credit report. In their 2015 follow-up study, almost 70% thought that at least one piece of previously disputed information was still inaccurate.

Go through each section of your report systematically, and take notes about anything that needs to be corrected.

**Your personal information**

Start with the basics: often overlooked, one small incorrect personal detail like an incorrect address can accidently lower your score. So, before you look at any other part of your report, check all of these personal details:

* Make sure your name, address, social security number and birthdate are current and correct.
* Are your prior addresses correct? You’ll need to make sure that they’re right if you haven’t lived at your current address for very long.
* Is your employment information up to date? Are the details of your past employers also right?
* Is your marital status correct? Sometimes a former spouse will come up listed as your current spouse.

**Your public records**

This section will list things like lawsuits, tax liens, judgments, and bankruptcies. If you have any of these in your report, make sure that they are listed correctly and actually belong to you.

A bankruptcy filed by a spouse or ex-spouse should not be on your report if you didn’t file it. There shouldn’t be any lawsuits or judgments older than seven years, or that were entered after the statute of limitations, on your report. Are there tax liens that you paid off that are still listed as unpaid, or that are more than seven years old? Those all need to go.

**Your credit accounts**

This section will list any records about your commingled accounts, credit cards, loans, and debts. As you read through this section, make sure that any debts are actually yours.

For example, if you find an outstanding balance for which your spouse is solely responsible, that should be removed from your report. Any debts due to identity theft should also be resolved. If there are accounts that you closed on your report, make sure they’re labeled as ‘closed by consumer’ so that it doesn’t look like the bank closed them.

**Your inquiries**

Are there any unusual inquiries into your credit listed in this section? An example might be a credit inquiry when you went for a test drive or were comparison shopping at a car dealer. These need to be scrubbed off your report.

**Report the dispute to the credit agency**

If there are major mistakes, you can take your dispute to the credit agencies. While you could send a letter, it can be much faster to get the ball rolling on resolving a mistake by submitting your report through the credit agency’s website. [Experian](http://www.experian.com/disputes/main.html), [Transunion](http://www.transunion.com/credit-disputes/dispute-your-credit) and [Equifax](https://www.ai.equifax.com/CreditInvestigation/home.action) all have step-by-step forms to submit reports online.

If you have old information on your report that should have been purged from your records already, such as a debt that has already been paid off or information that is more than 7 years old, you may need to go directly to the lender to resolve the dispute.

**Follow up**

You must follow up to make sure that any mistakes are scrubbed from your reports. Keep notes about who you speak to and on which dates you contacted them. Check back with all of the credit reporting companies to make sure that your information has been updated. Since all three companies share data with each other, any mistakes should be corrected on all three reports.

If your disputes are still not corrected, you may have to also follow up with the institution that reported the incident in the first place, or a third-party collections agency that is handling it. Then check again with the credit reporting companies to see if your reports have been updated.

If you can keep on top of your credit reports on a regular basis, you won’t have to deal with the headaches of fixing reporting mistakes. You are entitled to a free annual credit report review to make sure all is well with your score. If you make your annual credit review part of your financial fitness routine, you’ll be able to better protect your buying power and potentially save thousands of dollars each year.

**How to clean up your credit now**

Does your credit score need a boost so you can buy a home? Get in touch with me. I can connect you with the right lending professionals to help you get the guidance you need.