1st CHOICE MORTGAGE COMPANY

Credit Score Myths

Why 1st Choice Mortgage?

- Low Elite Mortgage Insurance!
- No junk fees!
- Wholesale mortgage rates!
- LOW FICO score programs!
- Quick ON TIME closings!
- Non-Prime Mortgages.
- Down Payment Assistance Programs.
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LET'S DEBUNK SOME OF THE CREDIT SCORE MYTHS

1. **Opting out will help a credit score.**
   No it won't. The bureaus don't know if someone has opted out or not, and it's not factored into the credit scores. If someone's score improves after they have opted out it is because something else has changed on the report, not because they opted out.
2. **Paying off old delinquencies will remove them from your credit report.**
   No, a collection account or an account with late payments will stay on a credit report for 7 years, minimum. That being said, the credit bureaus will occasionally go in and remove old collections that have not reported for a while. But that is at their discretion. Just because you paid a collection off, doesn't mean it will be removed. Also paying off an older collection will actually cause the collection to re-report and this could actually hurt the credit score due to new activity.
3. **All Rate shopping inquiries are the same.**
   Typically you are allowed to shop a mortgage for 30 days. With the 1st lender pulling your credit report, that will be a Hard Hit, which is typically 3 points. Then each lender that a borrower shops around to for the next 30 calendar day and pulls credit, is NOT dinged additional points.
   For Automobile loans, the report and initial Hard Hit is good for 14 days.
   For Credit Cards, each and every pull is a Hard Hit.
   A Hard Hit is recovered on a credit report after 90 days, which means the typical 3 points will be added back to the credit report after 90 days.
4. **Opening new accounts will help your credit score.**
   This will help only if the borrower has no established credit yet. Once you have several accounts, opening new ones will actually have negative affect on a credit score until substantial history is accumulated on the account.
5. **Paying off all of your revolving balances is a good thing.**
   Actually NO, it is not. The credit bureaus models like to see at least one revolving balance, even if it is small. Having no revolving balances can actually have a negative impact on your credit score. So Always keep one account with a small balance is a good idea. We recommend 2 credit cards, with a limit of $1000, and charging $30 per month, on each card and then making minimum payment or even paying them off.
6. **Your credit is affected by how much money you have in your savings or check account.**
   Nope, neither of these are factored into a credit score.
7. **Closing old accounts will help a credit score.**
   The credit scoring models like to see several open accounts that have zero balances and are not used often. When an account is closed, you lose that history. If it is an account that you have had for a long time and has no late payments, closing it can actually hurt your credit score. Having several open accounts, even if they are not used much, makes it look like a person has good financial responsibility.
8. **When I check my own credit score it's the same one used by lenders.**
   Nope, there are actually 69+ different credit score calculations. The ones lenders use is completely different than what a borrower sees when they get credit scores off the web.
9. **Checking my own credit report will hurt my score.**
   When a consumer checks their own credit report it is considered a "Soft" inquiry and will not impact the scores. Only "Hard" inquiries done by creditors when a consumer applies for a loan or credit card will possibly have a negative affect on a credit score

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