

Is Your Credit Score Killing Your Loan Chances?

By Blane Russell

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Credit score? You didn't know you had such a thing, did you? Many people don't, but your awareness of this all-important credit evaluation tool can literally make or break your chances of securing a loan.

In its most basic form, your credit score represents your creditworthiness in the form of a number. Lenders use this evaluation when determining the risk in lending you money, whether or not to grant you credit, how much credit they should grant, and what interest rate to charge.

A variety of factors are considered during the calculation of your credit score such as:

- * how much money you earn.
- * how long you have been using credit.
- * whether you have made payments on time.
- * your level of education.
- * the number of years you have lived in a single location.
- * the number of years you have worked for the same employer.
- * whether or not you are a homeowner.

What the credit companies are looking for with many of these factors is your stability and your likelihood to repay the loan.

For example: if you have been using credit for many years, make 90% of your payments on time, have a college education, have lived in the same location for 5 years, and have worked with the same organization for 4 years; you are more likely to obtain a higher score. (The higher, the better.)

On the other hand, if you have consistently made late payments, have a high school education, move frequently, and change jobs every year; your score will undoubtedly be much lower. Lower scores jeopardize your chances for getting credit.

Where Does Your Score Come From?

How, exactly, is your score determined? There are a number of ways; and each lending institution does not use the same criteria. The following is a typical method:

Payment History = 35% - Notice this element carries the most weight. It looks at missing or late payments, frequency of late payments, collections, credit card payments, loan payments, etc.

Outstanding Debt = 30% - The amount of outstanding debt on loans and credit cards will decrease your credit score. Lenders will look for how many outstanding balances you have, how long you have had these balances, if you keep a high or "maxed out" balance on your credit cards, and how many open revolving credit cards you have.

Length of credit history = 15% - How long have you been successfully paying your debts? (The longer, the better.) A long credit history that shows on-time payments will be a benefit to you.

Recent inquiries = 10% - Each time you apply for credit (of any kind), a credit inquiry is made in your history. Many inquiries (especially if you have many inquiries without any approvals) will raise a red flag and decrease your credit score.

Type of credit = 10% - What types of credit do you use? Credit cards, equity loans, signature loans? Your score will reflect how many types of loans you have, and for how much.

How Can You Increase Your Score?

Certain factors can play havoc with your credit score. As mentioned earlier, with each inquiry you will lower your credit score; thus, preventing you from obtaining the loan you need. To help alleviate this, use a mortgage broker when applying for a loan or mortgage to reduce the number of inquiries on your credit file.

Maintain your employment and residence status for at least TWO years. This shows stability and helps to build trust in the eyes of your lender.

Do not keep credit card balances near, at, or over your credit limit. If you have high balances now and are considering applying for a loan, begin to pay them down immediately.

While certain factors in your history cannot be erased, you can begin to do everything in your power to improve your financial snapshot. When you do, a better credit score will be ready when you apply for loans in the future.

Blane Russell is President of Russell and Associates, a full-service mortgage broker specializing in debt consolidation, second mortgages, refinances, and no income verification loans. To get the credit you need NOW, visit <http://www.refinanceu.com> today for same day approvals on most loans.

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