



Understanding Your Credit

Your credit history will determine the amount of the mortgage loan you will qualify for your home purchase. Although your credit history does not need to be spotless to qualify for a mortgage loan, it must clearly show your willingness to pay your debts. While credit cards and installment plans are useful, you need to be in control of your credit, not the other way around.



Your Credit Report



When you apply for a mortgage loan from any lender, they will look at your credit record to see if you have been responsible about managing your debts. You can get your free credit report through AnnualCreditReport.com or by calling 877.322.8228. The credit report will show your record of payments on loans, credit cards, and other similar debts.

Review your report carefully for any past-due amounts or “charge-offs” which means that a bill was never paid. Make sure the credit report’s information about you is correct. Your lender may need a written explanation for any late payments.

Correcting Credit Problems with Your Lender

If your credit report includes little or no information, use your payment history on rent and utilities. You can provide copies of cancelled checks to show your strong payment history. This information will become part of your application for a mortgage loan. If you have a credit problem because of an unusual situation, write a letter of explanation. Your lender may overlook a credit problem if you can give a good reason for not making your payment.