

What Determines Your Credit Score?

The five main factors that determine your Credit Score are:

Payment History (approximately 35% of your score)

The factor that has the biggest impact on your score is whether you've paid past credit accounts on time. However, an *overall* good credit picture can outweigh a few late payments which will continue to have less impact over time unless the late payment is a mortgage payment.

Amounts Owed (approximately 30%)

Having credit accounts and owing money doesn't mean you're a high-risk borrower. But owing a lot of money on numerous accounts can suggest that you are financially *overextended* and may be more likely to make some payments late or not at all. Part of the science of scoring is determining how much debt is too much for a given credit profile.

Length of Credit History (approximately 15%)

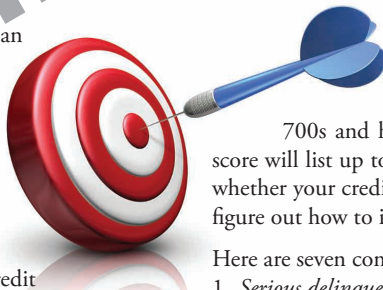
In general, a longer credit history will increase your credit score because it shows that you can responsibly manage your available credit over time. However, even people who have not been using credit very long may get high scores, depending on how the rest of their credit report looks.

New Credit (approximately 10%)

People today tend to have more credit and to shop for credit more frequently. But opening several credit accounts in a short period of time can represent greater risk — especially for people with short credit histories. Requests for new credit can also represent greater risk. However, credit scores are able to distinguish between a search for many new credit accounts and rate shopping. FICO scores generally do not equate your rate search with higher credit risk.

Types of Credit in Use (approximately 10%)

Your credit score will reflect a combination of credit cards, retail accounts, installment loans, finance company accounts and mortgage loans. While a healthy mix will improve your score, it is not necessary to have one of each, and it is not a good idea to open credit accounts you don't intend to use. The credit mix usually won't be a key factor in determining your score, but it will be more important if your credit report doesn't have much other information on which to base a score.



Interpreting Your Credit Score: What's Good and What's Bad?

A high — or “good” — credit score can be in the mid-700s and higher. If you are below this range, however, your credit score will list up to four reasons why your score is not currently higher, and whether your credit report might contain errors. Knowing this can help you figure out how to improve your score.

Here are seven common explanations for a lower credit score:

1. *Serious delinquency*: You have one or more accounts with late payments.
2. *Serious delinquency and public record of collection filed*: You have one or more accounts that have gone to a collection agency.
3. *Time since delinquency is too recent or unknown*: You have one or more accounts that are recently past due.
4. *Level of delinquency on accounts*: Your accounts are 60 to 90 days or more past due.
5. *Number of accounts with delinquency*: You have numerous past due accounts.
6. *Amount owed on accounts*: Your amount of debt is too high.
7. *Proportion of balances to credit limits on revolving accounts is too high*: The balances on your credit cards are too high.

For more information, contact our office today!

Home Equity Options: Just the Facts, Mam

The difference between the market value of your home and how much you owe on your mortgage — and any other loans secured by your home — is known as home equity.

Your initial home equity comes from your down payment. As you make mortgage payments, your loan's outstanding balance — known as the principal — eventually decreases and your equity begins to increase. If you make improvements to your home or your property value rises, your home equity can also increase.

Using Home Equity

Home equity can be a useful, sound and flexible financial resource that can provide financing when you need it. There are advantages to using home equity instead of other forms of financing — such as credit cards, auto loans, student loans, and personal loans. Typically, home equity loans offer lower interest rates and this type of financing can provide you with interest that's potentially tax deductible (*check with your tax advisor*). But your home does serve as security for the loan.

Savvy homeowners are learning that home equity can be a good way to meet important needs. Using home equity to pay for college expenses is a great example. The home where your children grew up can help to launch them into their dreams. Equity can even help with more immediate needs, such as purchasing a new car.

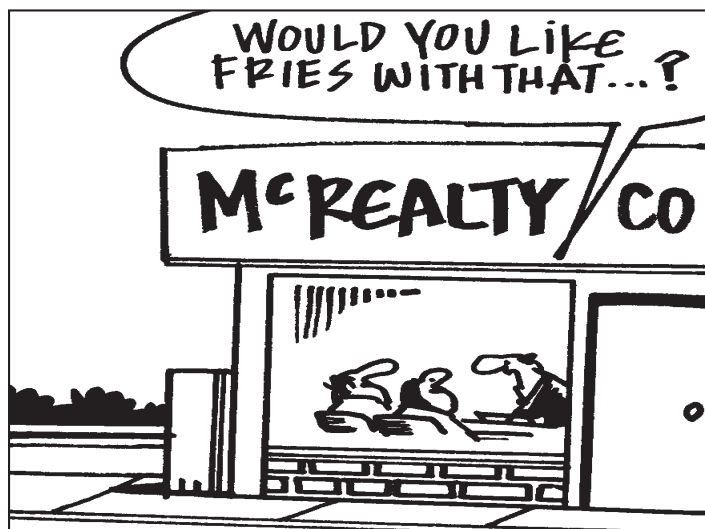
Another common use of home equity is financing improvements that enhance the property's value. Adding a master bedroom suite, remodeling the kitchen or other similar projects can effectively increase the value of your home.

Debt consolidation is another popular reason for obtaining home equity financing. A homeowner might obtain financing to pay off high-interest rate debt or convert several credit balances into a single lower-interest loan that offers tax deductible interest.

Matching Financing with Your Needs

Getting the financing that meets your needs starts with understanding how you'd like to use the funds from your loan. For example, if you:

- Know the exact amount that you need, you may benefit from a *home equity loan*, which provides funds in a lump sum, offers a fixed-interest rate and stable monthly payments.
- Are uncertain of the amount you'll need or plan to make payments over time, you might benefit best from a *home equity line of credit*. You'll only make payments on the funds that you withdraw, will have a variable interest rate and flexible payment options.



SEVEN SIMPLE STEPS to GETTING OUT of DEBT!

Gaining control of the urge to splurge is the first part of digging your way out of debt. The second is taking advantage of ways to lower high-priced interest expenses, such as credit cards, that you may have accumulated over time.

These seven steps can help start reducing your debt load:

• **Start Today.**

According to the Cambridge Consumer Credit Index, paying off debt in 2008 is the number one priority for 25 percent of Americans. However, a 2009 Smart Borrower Survey found 63 percent of those moderately to extremely concerned about their overall level of debt, *do not* have a financial plan to get rid of it. Procrastination does not pay the bills.

• **Begin Tracking All Your Expenditures.**

By keeping a close eye on your purchases, you can determine which are needs versus which are wants. You can then formulate an action plan to reduce unnecessary expenditures and free up money to help pay down debt.

• **Set Spending Priorities.**

Make sure you spend to serve your life goals instead of just paying off expenses as they occur. Set aside money first for debt repayment and then budget for things such as saving for college or retirement, before spending on discretionary items.

• **Leave Your Credit Cards At Home.**

Surveys done by Consolidated Credit Counseling Services indicate consumers are likely to spend more using a credit card than when paying

in cash. Also, closing credit card accounts can help you resist the desire to overspend by restricting your credit limit.

• **Consider a Debt Consolidation Loan.**

You can benefit from lower interest payments if you transfer the balances from high-interest credit cards to a lower-interest loan such as a home equity loan or home equity line of credit. *(Call our office today to learn more. We can help you get out of debt.)*

• **Strive To Pay More Than the Minimum Payment On Your Loans.**

A 2004 Cambridge Consumer Credit Index survey reveals that 42 percent of Americans are making either the minimum payment, or no payment at all, on their outstanding credit card debt. Using money sitting in a savings account (that's most likely earning less than 2 percent interest) to pay off credit cards (that may carry an 18 percent interest rate) could be a far wiser investment.

• **Try to Negotiate a Better Deal with Your Credit Card Lenders.**

If you're feeling overwhelmed, don't be afraid to ask your credit card company if they would be willing to lower their

interest charges or reduce your required monthly payments to help you get back on track. This is often a better alternative for credit card companies than having you file for bankruptcy.

If you need help launching a plan to start getting you and your family out of debt, contact our office today. We can help. If you would like to explore the options of a debt consolidation loan, call us today!

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From the Inside: "Is Buying Foreclosures a Good Idea?"

Buyers and would-be investors often look to foreclosure sales to find real estate bargains. But newcomers to this market could find some unpleasant surprises if they go in blind. To get the best deal when buying foreclosures, all homes should be thoroughly inspected by a professional home inspector *before* sealing the deal.

Why inspect if you can't negotiate?

Foreclosure homes are usually "as-is" sales. This means that buyers cannot negotiate for the cost of needed repairs, as they may do in a traditional home purchase. Buyers must absorb repair costs themselves and should consider this in their purchase offer at auction. So why get a professional home inspection on a foreclosure property?

Too many foreclosure buyers think they're getting a deal when, in fact, they might be purchasing a property with substantial and costly defects. The repair of these major issues could exceed the savings gained in buying a foreclosed property.

Sellers at foreclosure auctions are not usually obligated to disclose defects. But buyers can empower themselves by getting a professional property inspection *before* the auction that will provide valuable insights about the condition of the home.

A professional home inspector will review the major, visible and accessible components of the home and provide a detailed written report rating each element. The report should objectively include information in a detailed manner that allows the client to make informed decisions. If pre-auction property inspections are not permitted at the foreclosure sale, buyers will need to weigh that risk very carefully.

Knowledge is Power

Even with a significant influx of newly foreclosed properties due to the sub prime mortgage mess, the foreclosure market can be competitive, and it is often dominated by experienced real estate investors. More than ever, buyers need to know what they are buying to reduce the possibility of making a very costly mistake. Armed with the right information you can make informed bids and find the best home at the best deal. After all, a bargain isn't a bargain if it costs more than expected down the line.

Remember, buying foreclosed properties can be a risky business, so be certain to consult with your local real estate professional to address questions about specific issues. As the saying goes, an ounce of prevention is worth a pound of cure.

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