

Understanding Credit Reports and FICO Scores

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Anyone purchasing a home with a mortgage should be familiar with their FICO Score. All lending institutions will require obtaining your FICO score as a condition for the loan. What is in your FICO Score? FICO Scores are calculated from a lot of different credit data in your credit report.

The data can be grouped into five categories as outlined below. The percentages reflect how important each of the categories is in determining your FICO Score:

- 1) Payment History – 35%
- 2) Amounts owed – 30%
- 3) Length of credit history – 15%
- 4) New credit – 10%
- 5) Types of credit used – 10%

These percentages are based on the importance of the five categories for the general population. For particular groups – for example, people who have not been using credit long – the importance of these categories may be somewhat different. A FICO score takes into consideration all these categories of information, not just one or two. No one piece of information or factor alone will determine your score. The importance of any factor depends on the overall information in your credit report. For some people, a given factor may be more important than for someone else with a different credit history. In addition, as the information in your credit report changes, so does the importance of any factor in determining your FICO score. Thus, it is impossible to determine exactly how important any single factor is in determining your score. What is important is the mix of information, which varies from person to person.

Your FICO score only looks at information in your credit report. Lenders use a number of facts to make credit decisions, including your FICO score, the amount of debt you can reasonably handle given your income, your employment history, and your credit history. Based on their perception of this information, as well as their specific underwriting policies, lenders may extend credit to you although your score is low, or decline your request for credit although your score is high.

For more information, go to www.myfico.com. There is a comprehensive downloadable brochure titled “Understanding Your FICO Score” (20 pages). Click on the education tab; scroll down to the bottom and click on “understanding credit reports and scores”.

Must Have Features in New Homes

So what home features are buyers asking for the most in their search for a new home? A recent survey, according to Realtor Magazine, reports that the following hot home features reign in today's market: 1) Large Kitchens with island; 2) Energy-efficient appliances and high-efficiency insulation and windows; 3) Home office or study; 4) Main floor master suite; 5) Outdoor living room; 6) Ceiling fans; 7) Master suite soaker tubs and oversize showers with seating areas; 8) Stone and brick exteriors; 9) Community landscaping with walking paths and playgrounds; and 10) Two-car (minimum) garages.

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949-275-6581 949-637-3529

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