BLUE WATER CREDIT

YOUR 2022 CREDIT SCORE HANDBOOK

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From the nation's most trusted credit restoration company, BlueWaterCredit.comBlueWaterCredit.com

With a video introduction from Jeff Sipes, Founder and President

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PRESENTED BY **BLUE WATER CREDIT**

IN 2022, CREDIT SCORES WILL BE MORE IMPORTANT THAN EVER!

Brought to you by Blue Water Credit – the nation's trusted leader in credit restoration.

In 2022, our economy faces an unprecedented path as we all look towards a brighter future.

What is understood is that the average household or consumer is facing a lot of financial pressure, even as the economy grows and thrives. Stock market volatility, supply chain issues, home buyers being increasingly shut out, skyrocketing personal and revolving debt, cyber-hacks, and, of course, INFLATION, have all strained our budgets and investments.

And with prices seemingly rising every time we visit the grocery store and rates rising from the Fed to credit cards and even mortgages, it's more important than ever to maintain a great credit score. Not only will a good score help you save money on credit cards, auto loans, and more, but a strong FICO will allow you to qualify for the best mortgage loans available.

CLICK TO WATCH A PERSONAL VIDEO INTRODUCTION FROM JEFF SIPES, FOUNDER AND PRESIDENT OF BLUE WATER CREDIT.

In fact, a 40-point increase in your credit score can save you $40,000 on your next home loan!

Thanks to your preferred lender, Blue Water Credit Repair would like to offer you this 2022 Credit Score Handbook to help you reach your financial goals.

Blue Water Credit is the nation's leader in legal and ethical credit repair, and always ready with a free credit analysis.

Enjoy this guide, trust in the advice of your mortgage professional, and contact Blue Water Credit to boost your score!

22 WAYS TO IMPROVE YOUR FINANCIAL SITUATION IN 2022!

it's 2022 and we're all looking forward to rebuilding and getting back to normal – and that includes adjusting our personal finances to the tumultuous economy. If you want to make 2022 one of the most financially beneficial years yet, there are 22 things you can do.

Don't wait – get started on this checklist today and contact us if you need any help!

1. Track spending
   The first step to a better financial picture in 2022 is to track everything you spend, recording and itemizing over a few weeks or even a month.

2. Budget
   Once you know exactly how much you're spending, it's time to sit down and map out a careful, comprehensive budget. Of course, address areas where you feel you're spending too much.

3. Build an emergency fund
   As these last two years have proved, life can throw you some unexpected problems that set you back financially. So, it's recommended you have six months' worth of total expenses sitting in reserve, just for a rainy day.

4. Pay yourself first!
   If you really want to get ahead financially in 2022, you'll have to pay yourself first – meaning you pay bills, pay off debt, invest, and save BEFORE you start spending on non-essentials.

5. Automatic savings
   To that point, the easiest way to stay disciplined with paying yourself first is to set up an automatic deduction, so a chunk of savings comes out of your paycheck automatically.

6. Pay off high-interest debt
   Getting ahead financially is darn-near impossible if you're paying minimum payments on high-interest credit cards and other debts. So, make a plan to pay off your high-interest credit card balances first, going down the list as you gain momentum once the first is paid off – a strategy called Debt Snowballing.

7. Switch credit cards to personal loan
   Some people are opting to consolidate their high credit card debt using personal loans. That may be a good option that pencils out for some people, so check with your local bank.

8. Refinance home loans
   Interest rates are now hovering around all-time lows, and up to 76 million homeowners either have or still can benefit by refinancing their home loan. This is really an atypical interest rate environment where homeowners can possibly save $250, $500, or even $1,000 or more off their mortgage payment every month. But these low rates won't be around forever, so contact your mortgage professional today!

9. Look at a 15-year loan
   While you're looking into a refinance, consider a 15-year amortized mortgage. With today's record-low rates, you'll be amazed at how much you can save – probably on your monthly payment, but even more so by chopping into your total interest.

10. Check your credit report x4 year
    Typically, anyone can access their credit report once per year from each of the credit bureaus, Equifax, Experian, and TransUnionat AnnualCreditReport.com.
    No matter what, you should be checking your credit report as often as possible, looking for inaccuracies, duplicates, or errors.

11. Stay safe from fraud, hacks, and ID theft!
    Sadly, identity theft and financial fraud is on the rise, and scam artists are taking advantage of our current challenges. Likewise, cyber hacks and data theft are more threatening than ever, so it's important to take measures to protect yourself and your finances!

12. Analyze beneficiaries
    Are your beneficiaries all up to date on insurance, annuities, pensions, and other financial instruments? Making sure you set beneficiaries and alternate beneficiaries can save your family and loved ones a lot of hassle – and cost.

13. Write a will and medical directives
    Far too few people have a certified will, trust, and clear medical directives, and that comes back to cause precarious (and, again, costly) situations for their heirs.

14. Refinance student loans
    If you're one of the many Americans with student loans, you may have been within some sort of forbearance or amnesty period lately. But there will come time again very soon when your student loans are due every month, so check with your bank, lender, or other education loan programs about options for refinancing to save.

15. Organize your taxes
    Unemployment benefits, PPP loans, grants, debt forgiveness, and mortgage forbearance will seriously cloud the tax picture come April 15th (unless that date is extended). So, get organized now with paperwork, pay stubs, 1099s, donations, and other documentation, because the word is already out that the IRS plans on increasing audits by 50%!

16. Purchase an investment property
    If you really want to make a colossal leap forward financially in 2022, consider purchasing a rental property. There are plenty of ways to invest, including going in with partners, but the opportunity to buy with today's low rates is a golden one.

17. Max out contributions
    If your employer matches any contributions to your 401k or retirement plan, you better take full advantage by maxing out what you put in!

18. Educate yourself!
    Financial awareness is a lifelong pursuit, and you should commit to read a certain number of books, listen to audiobooks, delve into courses, etc. every week or month. Educating yourself about money is also something you can share with the whole family!

19. Side hustle
    2022 may be the year you finally add some part-time income to your budget, whether that means taking on consulting, over-time, freelance gigs, starting an online store, or any other passion projects.

20. Stay close to your CPA, financial planner, and mortgage advisor
    During uncertain, unprecedented financial times, it's crucial you stay abreast of the most up-to-date and accurate advice possible. And that means leaning on your tax professional, financial planner, and any other trusted sources for information and sage advice.

21. Improve your credit score!
    Your credit score is more important than ever in 2022, as so much of our financial picture is tied to our scores, from qualifying for a mortgage, credit card interest rates, auto and student loans, insurance, and even maybe getting your dream job. As the nation's leader in legal and ethical credit repair, Blue Water Credit is always here to help!

22. Contact Blue Water Credit for a complimentary credit assessment!

    We'd love to get started with a complimentary consultation so we can go over your credit profile and see where there's room for improvement – and savings!

$201,712

That's the lifetime cost of bad credit according to Liz Pulliam Weston, best-selling author & MSN Money columnist.

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10 WAYS TO PREPARE AND PROTECT YOUR FINANCES DURING TOUGH ECONOMIC TIMES

The economy is getting back on track in some ways (jobs, low interest rates), but in some ways it's presenting monumental new challenges (inflation, market volatility). And no matter what the greater economy is doing, people often face financial challenges in life with job losses, divorces, illness or accident (medical bills are the leading cause of bankruptcy) or even just the car breaking down or the roof leaking.

So, no matter what financial challenges you're facing, we wanted to let you know that there is help. Here are 10 ways to prepare and protect your finances during any difficult times.

Please note that these programs, resources, and information are changing rapidly, so contact Blue Water Credit no matter what type of help you need!

1. Help is available for your credit issues
   Understand that you're not alone – there are plenty of programs, resources, and even amnesty for people who are going through hard financial times. So, if you're facing a financial setback, don't suffer in silence – talk to your bank, lender, credit card company, insurer, financial planner, and others. And when it comes to your credit score, Blue Water Credit is always here to help!

2. Get on board with digital banking
   If you aren't set up to bank digitally yet, it's time to get on board. For many of us, we do bank online but maybe don't take full advantage of all the resources available to use. From checking balances to paying bills, transferring money, and even depositing checks with a mobile app, there's really no good reason to drive down to the bank branch and put yourself at risk right now.

3. Protect yourself from scams
   Scammers, hackers, and thieves are coming out of the woodwork, looking to cash in. Please be smart, stay safe, and confirm before you ever give up sensitive financial information – including password

4. Set up direct deposit
   To simplify the process and eliminate the need to go out in a crowded public place, set up direct deposit with your employer. It may be a great time to allocate some towards savings or investments before you even see the money hit your account!

5. Build cash reserves
   We always stress the need to build up a significant savings account or cash reserve, and this is the time to make sure you have at least a few months' worth of bills and expenses (or, ideally, six months' worth).

6. Keep paperwork up to date
   While you're at home and (trying) not to stress out following the news, it's a good opportunity to get organized. Go through old files, shredding what you don't need, and also check expiration dates on passports, drivers' licenses, bank and credit cards, and the like.

7. Support local businesses
   So many businesses will be impacted by a financial slowdown or even recession, but we can make a huge difference to help our local communities. Make sure you shop, dine, and patronize local businesses, even if it's delivery or pick-up services, and spread the word via social media.

8. Take advantage of low mortgage interest rates
   It's not all bad news, as these unprecedented times have also led to near all-time low mortgage interest rates. A refinance may save you significant money long-term and help your monthly budget now! Even if you just purchased your home a year or two ago or don't think you have a lot of equity, talk to your bank or mortgage broker about qualifying for a refinance.

9. Don't liquidate your investments
   Investing in stocks and the financial markets works well when you stay the course and invest without emotion, but that means we have to quell

our primal nature and NOT sell or cash out during troubled times. The markets always come roaring back, and your investments are for the long-term, so stay the course and let the trusted professionals manage your money.

10. Boost your credit score!

    Your credit score may have been important when the economy was booming, but it's CRUCIAL that you keep a great credit score now, and if the economy dips further. Record-low interest rates on auto loans, credit cards, mortgages, and more are only helpful if you can access them, and that means making sure your FICO is first-rate.

If you'd like to save and need some financial help, contact Blue Water Credit for a complimentary credit score consultation!

BBB®
Start With Trust

A+
RATING
BBB's Business Review rates Blue Water Credit LLC **A+** as a non-accredited business

HOW MUCH MONEY CAN YOU SAVE WITH A GOOD CREDIT SCORE?

A little number won't make a big difference, right?

Too often, that's the mentality consumers have when purchasing things and using debt to pay for it, whether it's a new car, putting that big vacation on a credit card, or even taking out a mortgage loan for their house.

Wrapped up in the minutiae and excited about the purchase, consumers often take the first loan that is given to them or don't adequately research or shop around for the best interest rates. But the difference in payments you make over the life of the loan can be HUGE!

Let's start by taking a look at this chart that shows the incredible financial savings with better credit scores:

myFICO How It Works Pricing

Achieve My Goals: Credit Cards Mortgages Student Loans

Home Purchase Center

Mortgage rates as of January 15, 2021

30-year fixed | 15-year fixed | 7/1 ARM | 3/1 ARM | 1/1 ARM

FICO® score	APR [?]	Monthly payment
760-850	2.387%	$1,168
700-759	2.609%	$1,202
680-699	2.786%	$1,230
660-679	3.000%	$1,265
640-659	3.430%	$1,335
620-639	3.976%	$1,428

Location National Avg. Loan amount $300,000 RECALCULATE

Source: Informa Research Services

To check current estimated rates based on FICO Scores,
go to: https://www.myfico.com/loan-center/home-mortgage-rate-comparison/

Now, I'll highlight a few things for you but updated to our current 2022 situation:

Mortgage savings:

Let's assume that today's national averages are around 3% on a 30-year fixed mortgage loan. (By the way, those rates are near historical lows, as the all-time national average is closer to 7.5%. So, if we compare those two numbers on a $400,000 home purchase over 30 years…

Loan amount: $400000
Interest Rate: 7.5%
Monthly Payment: $2,796
Total Payments: $1,006,868
Total Interest Paid over Life of Loan: $606,868

Now, let's look at that same home loan but with a much better interest rate of 4.5%.

Loan amount: $400,000
Interest Rate: 4.5%
Monthly Payment: $2,026
Total Payments: $729,626
Total Interest Paid over Life of Loan: $329,626
Total Savings (compared to 7.5%): $277,242

If we take a look at the same home loan but with today's average interest rate of around 3% (they may be lower!):

Loan amount: $400,000
Interest Rate: 3%
Monthly Payment: $1,686
Total Payments: $607,109
Total Interest Paid over Life of Loan: $207,109
Total Savings (compared to 7.5%): $399,759

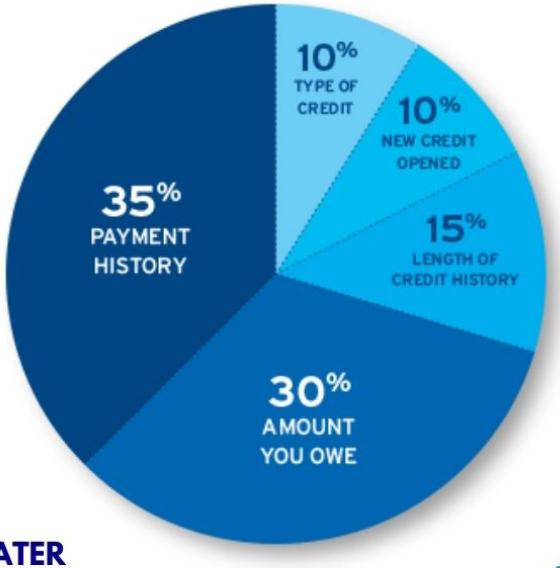
Of course, contact your preferred mortgage professional for actual interest rates and accurate scenarios, but this gives you a glimpse into just how

important credit score is when you're getting a home loan.

No, we don't assume your score will drive up your loan rate from 3% to 7.5%, but it may cause you to miss out on qualifying for the very best rates available… or a bad score can keep you from qualifying for a mortgage altogether right now, and who knows where rates will be in a year or two when your score is good enough to qualify.

Bottom line: a great credit score makes your mortgage professional's job easier, allowing him or her to get you qualified for the best possible rates available!

FACTORS THAT GO INTO YOUR FICO SCORE.



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In another scenario, let's look at the savings with auto loans based on your credit score.

As you can see in the chart above, the difference between a score in the 500s or mid 700s and up can mean paying 15% or 3% interest on a car loan.

On just a $26,000 car loan, you'll pay a total of $28,020 total (with interest) if you have a 750+ credit score, but a whopping $37,140 if your score is mired in the low 500s.

That's a difference of an extra $9,120 you're paying for the same car – on just a $26,000 purchase!

How about with credit cards – does a good credit score really save you money?

Credit Card Savings:
Loan amount: $20,000
Interest Rate: 18.0%
Monthly Payment: $500
Total Payments: $31,000
Total Interest Paid over Life of Loan: $11,000

Or…

Loan amount: $20,000
Interest Rate: 10.0%
Monthly Payment: $500
Total Payments: $24,500

Total Interest Paid over Life of Loan: $4,500

Total Savings: $6,500

As you can see, increasing your credit score before making a big purchase or taking out a loan can add up to huge savings.

Changes to the Fair Credit Reporting Act come with the Coronavirus stimulus package – here's what consumers need to know.

On March 27th, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, a $2 trillion package intended to inject the economy with much-needed funds.

Most of you are aware of the CARES Act by now, and familiar with the stimulus checks that are (supposed) to be mailed out to tens of millions of Americans soon or the Small Business Administration's Payroll Protection Program.

But there's a whole lot more that goes into the CARES Act, and one such pivotal item is the changes to the Fair Credit Reporting Act. In fact, with Section 4021 of the CARES Act, there were some specific changes to the Fair Credit Reporting Act (FCRA) with new mandates for any institution that reports credit for clients or consumers.

Today, I will outline some bullet points and highlights of those changes.

So, what differences will we see with the Fair Credit Reporting Act?

- Debt relief deals are called an "accommodation" under the new law (in case you see that term pop up).
- Here are the options most creditors are offering:

1. Defer one or more payments
2. Allow a partial payment
3. Grant a forbearance on delinquent balances
4. Modify a loan or agreement
5. Provide other relief or help

- If you have a credit card or any debt account and negotiate a debt-relief deal with the creditor, the creditor is required to keep reporting that account as current. That's a big deviation from past debt relief negotiations and arrangements, which usually resulted in late payments or settlement language reporting on credit reports.

- But what if you were already late on payments when you came to an agreement or struck a deal with your creditor? In that case, your creditor can keep reporting your account as delinquent until you pay it current. Likewise, if the account is eventually charged off for non-payment, the charge off may keep reporting, too.

- However, if you are not able to come to an agreement or some sort of relief deal with your creditors and end up missing payments, the creditor may report that delinquency to the credit bureaus as usual.

- One way that creditors may try to soften the blow to consumers who miss payments (and can't reach an agreement) is by adding a special code to that item on their credit report. These "disaster codes" actually already exist and are sometimes used in the case of hurricanes, floods, or other natural disasters, and can serve as an explanation or qualifier for anyone who reviews the consumer's credit file in the future.

- However, any disaster codes that serve as a credit report asterisk to indicate the late payment occurred during the Coronavirus pandemic won't stop the late payment from negatively impacting the report.

- That's right – even with a disaster code, your credit score will still go down, but it may affect different credit scores (like FICO, Vantage Scores, etc.) differently.

- These changes to the Fair Credit Reporting Act will run from January 31st, 2020, for four months or until the end of the national state of emergency due to the Coronavirus pandemic.

HOW TO INCREASE YOUR CREDIT SCORE IN JUST 30 DAYS (SO YOU CAN GET THE BEST MORTGAGE RATE!)

Your credit score is all-important these days, the gateway to achieving wealth and financial independence for your family.

That's never more critical than when a consumer is 30 days out from applying for a big loan like a purchase loan or a refinance, as well as car and student loans, obtaining some types of insurance, or even applying for a job.

For that reason, it sometimes becomes critical to boost your score in a hurry to save money by taking advantage of the best interest rates – or even get approved at all. While it's recommended that you monitor your credit and keep a good score all year long, here are seven industry insider strategies to give it a jump start in short order if you need to achieve that goal of 30 points in 30 days. Knowing and following these valuable strategies can help you save hundreds of thousands of dollars in lower interest rates over the life of your loans, helping your family achieve the financial comfort they deserve!

Strategy # 1 Don't trust the credit bureaus to do their job!

There's a high risk of erroneous credit reporting, which jeopardizes your credit score.
Ordering and scrutinizing your credit report is the #1 thing people need to do if they want to see a 30-point increase in 30 days.

You'd be surprised how many people neglect to obtain and review a copy of their credit report. Why is that so important? A study by the Federal Trade Commission reported that at least 20% of consumers have an error on at least one of their three credit reports (which largely determine your credit score.)

That's 1 in 5 of you who have something glaringly wrong on your credit reports! Those mistakes will cost you dearly – you might not qualify for that home you're trying to buy or even pay hundreds of thousands of dollars more in higher interest rates – all for no reason but the bureau's errors! The same reported estimated that 13% of consumers had credit-report errors that impacted their credit scores. These days, identity theft also impacts about 8%

of the population per year, so it's essential you review all three credit reports thoroughly and address any errors. If you don't know exactly what's hurting you and what needs improvement, it's going to be hard to achieve a 30-point increase within 30 days!

Bonus Tip: Blue Water Credit can obtain a copy of your full credit report and examine it with you during their no-risk consultation, which could lead to a huge credit score increase. Contact Blue Water here to schedule your no-risk credit report evaluation here.

Strategy #2 Fico's top-secret scoring ratios.

Fico's credit utilization ratio accounts for 30% of your score!

The surefire way to increase your credit score in a hurry is to pay down your debt, which improves your credit utilization ratio. But it's so important you do this correctly, because knowing which accounts to pay down and how much makes all the difference between a skyrocketing score and one mired in mediocrity. It's usually wise to focus on paying off credit card debt because the algorithms used to compute credit score weigh credit card debt more negatively.

By paying your debt down, you'll be improving your "credit utilization ratio," which is the amount you owe versus the total spending limit. While general wisdom is to pay down your debt lower than 30% of your total limit (about $3,000 or less for a $10,000 limit), that's actually inaccurate information. It's recommended you pay down to 10% or less. Remember that car loans, mortgages, utilities, and student loans are not counted against the credit utilization ratio, so focus on paying down your credit card debt below 10% for the best quick score boost!

Bonus Tip: FICO reports that borrowers with the best credit scores – 785 or higher – usually keep an average of only 7% of their credit card limit!

Strategy #3 The shockingly simple tactic to increase your credit score by up to 100 points…without paying off debt!

Who in their right mind would tell you to add credit when you're trying to increase your score? We would!

If you don't have the means to pay down your credit card debt immediately, you may want to consider another effective option. A consumer can call up their credit card company and ask for an increase of their spending limit. If approved, the account will immediately show the higher available credit, and your credit utilization ratio will be greatly improved, even without paying down your debt at all! In fact, achieving a very low or zero debt utilization ratio can improve your credit score up to 100 points in most cases!

Bonus Tip: Make a case to your creditors why you're a good candidate for a credit line increase!

Strategy #4 The counterintuitive trick to paying off harmful revolving debt.

FICO loves installment debt, so use personal loans to pay down your credit cards!
Most people don't have enough money in savings to immediately pay down their credit card debt to boost their score. But there is another option – taking out a personal loan. Your bank or credit union will let you apply for a personal loan based on your total financial picture.

If approved, you can easily use that money to pay down credit card debt. Why is that helpful? Personal loans are factored as installment debt for the credit bureaus, not revolving debt, so your credit score won't take a hit. In fact, it should shoot up as you reduce your "bad" credit card debt and improve your ratios. Additionally, private loans usually have fixed interest rates on average 2% less than credit card debt!

Bonus Tip: Ask the bank or lender what their guidelines are for approving installment loans before you apply, which will result in a "hard" inquiry showing up on your report.

Strategy #5 What you don't know WILL hurt you!

Be careful because paying off and closing the wrong accounts can do more harm than good.
Even though you have great intentions, be careful when paying off or closing

various accounts from your credit report.

Focus on paying down credit card debt first, but you don't necessarily want to close accounts, which might erase an established account and actually hurt your score! The same thing applies for paying off collections and other accounts – if items are very old, inactive, or certain kinds of installment debts, paying them off could actually make them re-report to the bureaus, and therefore hurt your score. To achieve a 30-point increase in 30 days, we need to make sure you pay off the right debt so you don't move backward!

Bonus Tip: Have a professional credit repair company like Blue Water Credit review your credit score with you to find out exactly what you should pay down or off before you do anything!

Strategy #6 The #1 credit score hack FICO doesn't want you to know!

Let someone else do the work while you take the credit! (Pun intended.)

One of the most efficient ways to increase your credit score in a short time is by becoming an authorized user on someone else's credit card. Once you're authorized, the new positive trade line will show up on your credit as if you've had it for the duration. It's important you do this correctly – it has to be a credit line in great standing. FICO knows a lot of parents do this to build their teen or college-aged children's credit – and it's a perfectly legal practice.

Bonus Tip: When becoming an authorized user, choose a credit card that's been open at least 36 months, paid down below 10% of the available credit, and with a perfect payment history.

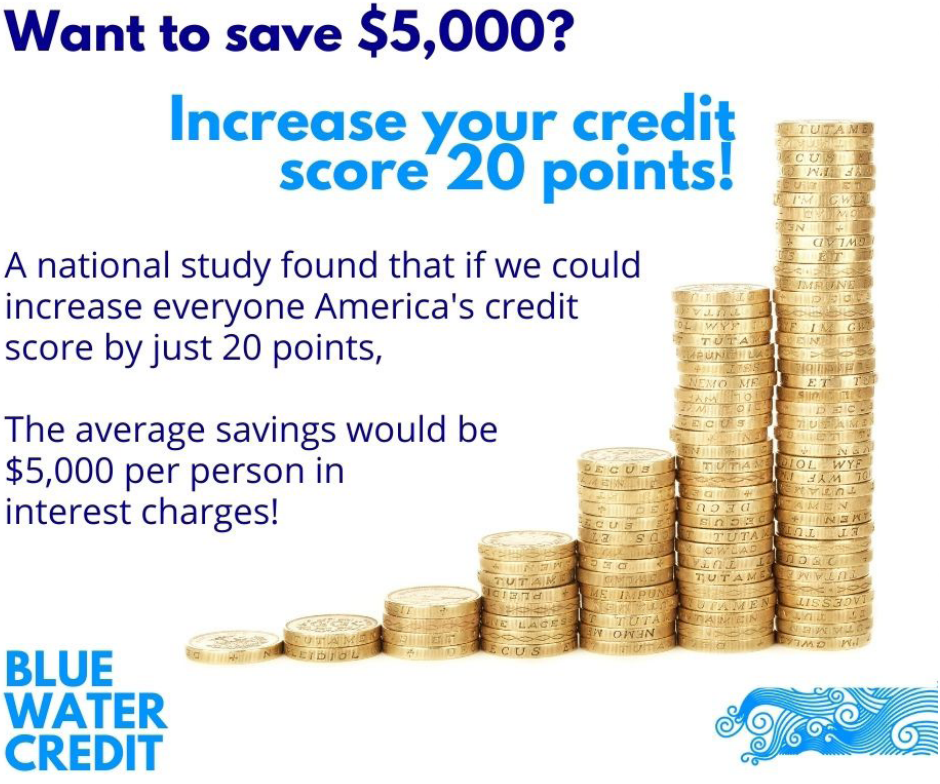
Strategy #7. Do you hate your cell phone, Internet, and utility bills? We all do… but there's a secret strategy to make them work for you!

Adding unconventional bills and accounts to your credit report can help your score shoot up.
A surefire way to build your credit is to add positive accounts that aren't currently being reported. It's your right to request that unreported accounts start being reflected on your credit.

For instance, cell phones, Internet providers, utility companies, and medical billers often don't bother reporting credit (because it's not mandatory.) But if you ask them to do so, they very well might comply – posting a well-seasoned, positive new trade line on your credit score.

Bonus Tip: Be organized and maintain all records so you can easily fax or email your account information over to the companies you want to report.

Follow those seven strategies to the letter, and you'll see a huge credit score increase in a short time – maybe even 30 points in 30 days or way more!



WHAT'S THE TIMELINE FOR CREDIT REPAIR BEFORE A MORTGAGE APPROVAL?

Homeownership is still the bedrock of the American Dream, and the simplest path to building wealth that can be passed on for generations.

In fact, the net worth of the average homeowner is exponentially higher than that of the average renter. However, despite that telling statistic, homeownership rates are also near 30-year lows right now with rising prices, stagnant real wages, and mounting debt levels holding millions of would-be homeowners from buying.

Additionally, too many people don't understand how important their credit score is when it comes time to qualify for a mortgage – the first step to buying any home. Even the timing of your credit repair is paramount during the process, as many people start far too late, only to be denied a loan approval or priced out of the real estate market.

So, today we'll map out an ideal timeline for repairing your credit, so you can get approved for a great mortgage and achieve your dream of homeownership.

First, let's start with the fun part: the home. In fact, people often focus on the house when they're just getting started, when they should be worrying about the financing (the mortgage) as well as what's on their credit report.

Sure, looking at photos of listings online and going to open houses is fun, but you're not even close to ready for that step if you haven't sat down with a mortgage broker or lender and gotten preapproved for a loan. And what's

the first thing that mortgage professional is going to have you do? Probably authorize a credit check (as well as gather income information), so they can see what credit score you're working with and what else is popping up there.

Of course, mortgage lenders understand that you can't really make an offer on a home if you don't have a solid loan prequalification or preapproval. Even if a seller would
take your offer seriously without one, you'd have a hard time closing on the loan – and the home -within the allotted 30-day escrow period, as it's just not enough time to start from scratch, as there are just too many things that could go wrong.

So, it's crucial that you always talk to a mortgage broker or bank in advance of your home hunting. While this step is absolutely necessary, it also doesn't have to take long, as a lender can get you squared away within a single consultation or appointment if you have your paperwork all organized.

However, you should be working on improving your credit score well before that. Although each borrower and homebuyer is different, it's recommended that you start reviewing your credit and invest in credit repair at least one year prior to any house purchase.

There are some loans geared towards first-time buyers and people with average or even subpar credit. The Federal Housing Authority (FHA) guarantees certain loans that allow low down payments and much looser credit standards (sometimes even as low as 580!), but they can get expensive as they usually come with Primate Mortgage Insurance (PMI), other restrictions, and a whole lot of hoops to jump through to qualify.

But no matter if you're a first-time buyer or have owned for decades and just looking to refinance your existing mortgage to save money, your credit score is the #1 factor in determining what interest rate you'll be eligible for. Numerous studies of real estate and mortgage data show that the better your credit score, the lower your mortgage interest rate will be, and also the more loan options will be available to you.

So, why should you have the foresight to start looking at your credit report and come talk to us a whole year ahead of any purchase?

Well, the first thing to remember is that even though you may pay all of your bills on time and THINK you're score is excellent, a whole lot of consumers fall victim to identity theft, financial fraud, or just plain mistakes these days. In fact, about 1 in 6 Americans are affected by data hacks and financial fraud at some point, and about 1 in every 3 credit reports contains duplicates, outdated information, or mistakes.

So, credit repair can help clean up those items (and bring your damaged score back up), but that takes time.

Additionally, credit repair before applying for a mortgage consists of two things:

1. Disputing negative information on your report, and
2. Rebuilding positive tradelines and good habits

Number one on that list takes the most time, as each dispute follows a formal process that could take months before we get resolution and see the positive effects on your score. In many cases, it takes multiple attempts at disputing the same negative item before it's removed or remedied from your credit, so the timeline can easily take six months or longer.

At that point, we'll also ensure that your score is going to rise as much as possible. We do this by following the best practices and guidelines laid out by FICO and others, such as paying all of your accounts on time (that's a given), having well-seasoned accounts with good history, and introducing the right mix of high-quality revolving and installment loans.

Furthermore, if there are collections, tax liens, judgments, or past financial black marks like bankruptcies, foreclosures, etc., it can certainly take longer to clean those up.

You may also want to pay off some of your debt well ahead of applying for a mortgage and buying a house for two important reasons:

1. Your mortgage lender will carefully analyze your total monthly income compared to the total bills you have to pay on all of your debts (not food, gas, etc.) every month. They'll do this by simply going down the list on

your credit report, by the way. They'll add in the proposed new mortgage payment for the house you're trying to buy (that's how they qualify you for how much you can afford), and the result will be your Debt-to-Income Ratio.

Banks and underwriters need to see your DTI below a certain point, so that often means paying down some of your credit accounts strategically. Again, this could take some time to do correctly if you don't have all of the funds needed just sitting around, or you need a few months' paychecks to replenish your funds for savings and a down payment.

2. Next, the credit bureaus look at your debt levels, too, but they pay attention to your Credit Utilization Rate, which is just a percentage of what you owe against your total available credit.

As a general rule, the lower your utilization rate and the fewer maxed out cards and accounts you have, the better your score will be. So, we may need you to pay off some of your credit cards and accounts to improve your score, which can take time for the same reason as outlined above.

In a perfect world, you already check at least one credit report every four months to watch for fraud or any errors. If you've had a bankruptcy, foreclosure, have serious judgments or other collections, it's a good idea to come talk to us a year or more before you need to qualify for a mortgage.

For most people, we can sit down one year or even nine months ahead of your real estate purchase to go over your credit report, analyze your score, strategically plan paying off debt or opening new accounts, and investing in credit repair to bring it up well within the mortgage timeline – saving you as much money as possible.

Please note that these timelines are extremely conservative, as we like to err on the side of caution with something so important. That being said, we've helped plenty of consumers repair their credit, so they can qualify for great mortgage loans when they come to us six months or only 90 days or even 30 days ahead of their home purchase!

UNDERSTANDING FICO SCORES

Every day, people apply for home loans, credit cards, store retail cards, student loans, and more. When they do, the lender is usually accessing your FICO Scores to help them gauge if you're a good, safe candidate for new debt, and what the interest rates and terms will be once they do approve you.

Your FICO Scores (you have many) show up as a three-digit number that helps rate your risk as a credit consumer. The higher your FICO Score, the more likely you are to pay future debt on time and in full based on your past credit history. But with a low FICO Score, you're signaling to the banks that you're more likely to default, and not a strong candidate for new debt.

Where do FICO Scores come from?

But FICO doesn't actually collect your credit data – they just analyze and summarize it into one set of convenient and accurate scores. The actual data on your credit file comes from three major credit bureaus, Experian, TransUnion, and Equifax.

Millions of banks, lenders, and financial institutions count on FICO Scores to help them make accurate, fast, and impartial lending decisions every day, as FICO Scores are used in over 90% of all lending decisions.

Putting a number on your FICO Score

FICO Scores typically range from 300 to 850, and the higher your FICO score, the better. However, there are some versions of FICO Scores used by certain industries that may run from 250-900.

No matter what the scoring range, the higher your FICO Score, the better, as it signals to lenders that you are a low-risk candidate for future debt and a good steward of your debt and finances. However, when someone's FICO Score is low, lenders may shy away, choosing not to approve that person for a new loan or raising interest rates to cover their risk.

What is a "good" FICO Score?

There is no one correct answer, as different lenders may have their own opinions and ranges of what they considered a favorable FICO Score. For instance, one lender may consider a 730 FICO Score a great candidate for lending, while another may look for a score of 760 or higher for the same program that offers their lowest interest rates. We do know that scores over 720 are generally considered in the good range.

Is your FICO Score above or below the average?

Across the United States, there are plenty of consumers with great FICOs, and a whole lot with subpar scores, as well. But, if we add them all up, in 2020 the national average for FICO Scores is now approximately 704.

Understanding how your FICO Score is calculated

Your FICO Score is determined based on data from your credit reports.

FICO relies on data collected, organized, and maintained by the three chief credit bureaus in the U.S., TransUnion, Experian, and Equifax. These credit bureaus not only record your personal information, like your name, Social Security number, address, etc. but update your credit file with your accounts, balances, payment record, and also negative information like delinquencies and public records.

FICO uses the data from these three bureaus to calculate your credit score, although there are several variations of FICO Scores and the information provided by each credit bureau may differ slightly.

While we don't know the exact complex algorithm that FICO uses to calculate your score, they do share a basic version that breaks down five major factors that influence your FICO score.
This information is so important since a good FICO score will help you save money, access lower interest rates, and generally give you better financial options when it comes to debt and lending.

So, what goes into your FICO score?

No matter how different our financial situation may be, our FICO scores are all tabulated exactly the same, based on five broad categories of consumer credit behavior.

5 Factors that go into your FICO Score:

1) Payment history
2) Amounts owed
3) Length of credit history
4) New credit
5) Credit mix

FICO also lets us know roughly how much each of these categories factors into scoring, as they are not weighted equally.

For instance, Payment history is the most important factor for FICO scoring, which makes up about 35% of your individual score.

How much do these factors influence your FICO Score?

35% Payment history
30% Amounts owed
15% Length of credit history
10% New credit
10% Credit mix

Everyone's FICO calculation is a little different

Remember, too, that this is an oversimplification, and everyone's credit picture is dynamic and treated differently. For instance, someone with a great FICO score (like a 750) may see their score take a bigger hit if they miss one payment than someone with a below-average score, like a 620, if they do the same. FICO's algorithm accounts for all of this, as their intent is to gauge the future risk of defaulting for creditors and lenders.

Here is a breakdown of these 5 factors that make up your FICO Score:

Payment history (35%)

FICO gives huge credence to your payment history, as your track record with paying on time is (of course) the biggest predictor of future payment behavior. Therefore, payment history typically makes up more than one-third of your score, and making payments on time (and in-full) is crucial for keeping a great FICO.

Amounts owed (30%)

Another important factor for tabulating your credit score is the amounts you owe. It's not necessarily the total amount of debt you owe that may improve or lower your score, but the proportion of your debt balances compared to the total available credit for that account (utilization). When banks and lenders see that you are maxed out and have used up most or all of your available credit, it signals to them that you are having financial problems or not a good steward of your finances, so keep your balances low and don't max out credit cards.

Length of credit history (15%)

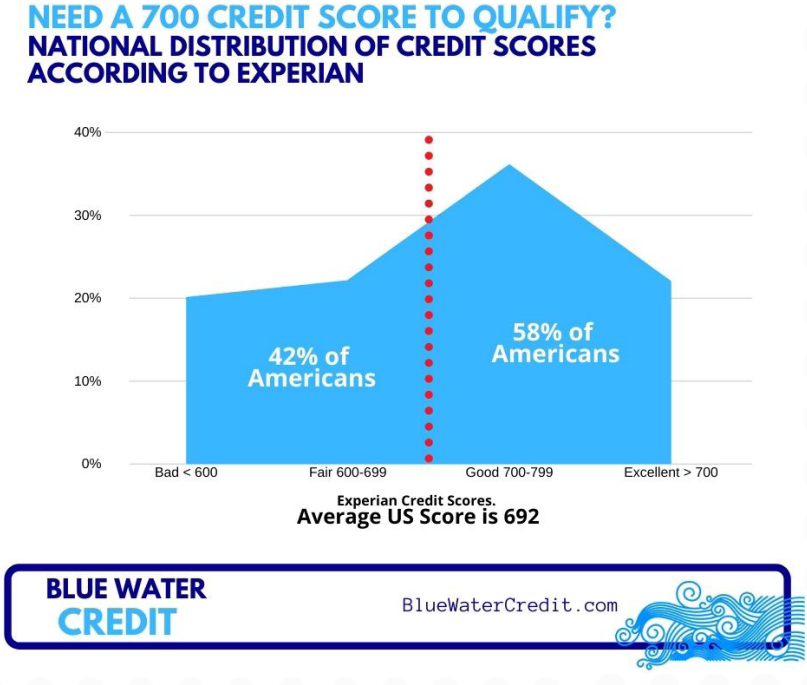
FICO looks for well-established accounts that have been open for a while, rewarding a seasoned track record with a higher credit score. Of course, it's possible for people with newer credit accounts to have a top-notch FICO score or consumers with long-time accounts to have a low score (especially if they've missed payments). But, in general, FICO likes to see older accounts, more time since you opened your newest account, and active use of accounts.

Credit mix (10%)

FICO scoring algorithms reward a well-balanced mix of accounts on a consumer's profile, such as a blend of credit cards, installment loans, mortgages, and more. In fact, your credit mix can account for about 10% of your credit score.

New credit (10%)

Your use of new credit factors into your FICO score, although only about 10%. For instance, if you suddenly start applying for multiple new credit cards and loans, it may be viewed as risky financial behavior, and therefore your score may fall.



WHAT DOES AND DOESN'T GO INTO YOUR FICO SCORE?

When it comes to keeping a good credit score, we have a lot to keep in mind. Of course, it's vital to make payments on time, but the factors that go into your FICO Score go a lot deeper.

From time to time, we get questions from misguided consumers who think that there are other factors that are dragging down their credit score. For instance, some consumers may believe that their income, how much money they have in their bank account, or even what items and services they buy with their credit cards influence their score.

So today, we'll take a step away from educating you about the factors that DON'T factor into your score, and what DOES make up your credit score.

Here are 16 items that DO NOT influence your credit score:

1. How much you make at work
2. Your education level
3. How much money you have in the bank
4. Or any financial assets or investments
5. Including whether you're a homeowner or renter

(This is a really common misconception, but the truth is that your status as a homeowner or renter doesn't influence your credit score at all. That being said, your mortgage debt and track record making payments WILL help or hurt your score.)

6. Overdrafts
7. Utility bill payments
8. Insurance bills
9. Being single/married/or divorced
10. Where you live
11. Gender
12. Your age
13. National origin or ethnicity

14. Religion
15. Political affiliation
16. Race

In fact, it's illegal to consider race, religion, national origins when making financial assistance, per the Consumer Credit Protection Act.

- Please note that while that is true for FICO scores, some lenders may ask for information like your current employer, how long you've been there, your asset situation, and more during the application process.

WHAT INFORMATION DOES SHOWS UP ON YOUR CREDIT REPORT?

All credit reports collect and list the same basic set of information, such as:

Personal Information

The basics like name, address, date of birth, your Social Security number, and your employment information. While these are listed on your credit report, they don't impact your score.

Accounts

Your report will list all of your credit accounts, organized and listed by the type of account (mortgage, auto loans, credit cards, etc.) They will also contain the date they were opened, the credit limit or the loan amount, your balance and payment history.

Negative Items

Negative information like late payments, delinquent accounts, collections, bankruptcies and foreclosures, and more will be listed on your FICO Score report.

Remember that your credit report will be updated frequently, changing and reporting new data continuously, and your FICO Score will go up or down accordingly.

Inquiries

Every time you apply for a new loan, whether it be a credit card, mortgage, auto loan, or others, that action will be reflected on your credit report in the form of an "inquiry." We have more information about inquiries below.

WILL APPLYING FOR NEW CREDIT HURT MY FICO SCORE?

Applying for new lines of credit may alter your credit score slightly, but you most likely won't see a big change.

However, those who see a drop in score are usually applying for multiple credit cards within a short window of time, which causes several inquiries to hit your credit report. That may signal higher risk and your score will dip slightly accordingly – but only incrementally and temporarily. However, "shopping" for auto loans, student loans, and mortgages within a period of time most likely will not affect your credit score, as they probably will all be considered a single inquiry.

Understanding credit inquiries and "rate shopping"

Whenever you fill out an application for a lender, you are authorizing them to access your credit records, which counts as an "inquiry" with the credit bureaus. If you look at your credit report soon after, you'll see that those credit inquiries are listed there.

FICO realizes that responsible consumers will look for the best deal, rate, and terms on high-ticket items like home loans, auto financing, or student loans. Therefore, they allow for these inquiries made within 30 days to count as one single inquiry – negating any negative effect on your score.

So, if you are "shopping" for a home loan, car loan, or student loan, don't be hesitant
to have lenders pull your credit, causing inquires, but be aware that you want to keep all of them within a 30-day window or less.

But you should be aware that this rate- shopping period not always 30 days. For older versions of FICO Scores, it was only a 14-day window, and the newest versions of FICO Scores allow for 45 days of inquiries to count as one.

Of course, each lender chooses which version of FICO scoring they will use

when calculating scores, so that is largely out of the consumer's control.

How much can credit inquiries drop your score?

Since each person has a unique set of factors based on their credit data and history, FICO's algorithm will affect each consumer slightly differently. However, we do know that typically, inquiries have little impact on FICO Scores.

In most cases, a credit inquiry will take about five points or less off of their FICO Score – not a big blow considering that FICOs range from 300 to 850.

Of course, if you have a less-established credit history, are short on accounts, or the new inquires start adding up, your score could be impacted more.

Remember that it's all about gauging risk, and statistics prove that consumers with six inquiries or more on their credit reports are eight times more likely to declare bankruptcy.

Now you're armed with some great information and analysis about the state of credit scores in 2022, particularly in terms of applying for a mortgage.

Remember that Blue Water Credit is the nation's trusted leader in legal and ethical credit repair, and always ready with a free credit analysis whenever requested.

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