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Column: How Do Credit Scores Affect Home Buyers?

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Now more than ever, with interest rates so low, home buyers are looking to purchase new homes, making it vital for them to understand what their credit score means before they fill out applications. It can be an easy process if applicants are prepared in advance.

According to a national consumer survey, nearly 75 percent of new homebuyers feel that it is important to check their credit scores before buying a home; however, less than 45 percent actually understand what it is that a credit score reports. A personal credit score accesses not only the amount of debt a client owes and whether they are current with their payments, but also the risk they present to the lender if they default. This means that even if you are paying on time now, any late payment history can still have an effect on your FICO score.

We find that a majority of homebuyers are unable to identify the factors that a credit score will affect. Credit scores impact a variety of factors, including interest rate, amount borrowed, and the lending terms of their mortgage. Clients might make the mistake of checking their credit scores only several months before buying a home and often check the wrong model. We suggest that anyone interested in checking their credit scores use www.MyFico.com. For a nominal fee, you may purchase a credit report without impacting your credit score.

We remind clients to check their credit scores as soon as they are considering a new home purchase. Being proactive allows ample time to improve scores or correct any issues that might negatively affect scores. We often refer clients to Tracy Becker, president of North Shore Advisory, who will work to help improve credit history and

credit scores and help the buyer obtain the lowest rates possible given their individual circumstances. She is an expert who will also offer tips on how to manage and maintain that coveted high score. For information, contact tracy@northshoreadvisory.com.

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