

**Mortgage Tidbits**

**Keeping you informed and in the know….**

**Credit Myths & Facts**

**The credit score you check is the same one a Lender will see.**

The credit score varies according to the type of credit report that is requested. If you are a consumer requesting a report online to “check” your credit and score, this is an educational credit score and will not be the same credit score a Lender will use. The educational credit score can give you a general idea of your credit health and is a great resource for monitoring your credit.

**Paying off a lien, judgment, collection or negative credit removes it from my credit report.**

The definition of a credit report is a detailed summary of an individual’s credit history. Your history will include both negative and positive in how the debt acquired was repaid (or not repaid). Paying these accounts does help improve credit scores over time and is a good step to take towards a better credit score, but these accounts will stay on your credit report for 7 – 10 years.

**Paying off Credit and Closing a credit card will improve your credit score.**

Unfortunately, closing a credit card will more likely lower your credit score. Credit scores use a complicated algorithm to calculate the score that is based on numerous data contained on the report. One of the pieces of information that affects the credit score dramatically is payment history. The longer an account has of reporting payment history, the better it can help the credit score. Closing an account stops the history. Paying down a credit card balance could be more effective for raising credit scores than closing the account.

**Inquiries will lower a credit score.**

This can be true. An inquiry is made when a consumer applies for new credit. Inquiries affect your score negatively. The more inquiries (or credit pulls) made in a short amount of time, the more it will affect your credit score. The exact effect, however, is hard to determine as the overall calculation of the credit score is determined by other data in the report. Borrower’s applying for auto loans or mortgage loans have a predetermined window to shop for these services without the inquiries dramatically affecting the score.

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