

# Are You (Credit) Worthy?

## What It Takes To Make It Through Mortgage Madness

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**A**fter a lengthy search, you've finally found a home you want to purchase. Now all you have to do is crunch some numbers so you can qualify for a mortgage. But are you crunching the right numbers? Getting into the home of your dreams isn't just about paying principal and real estate taxes; it begins with your credit history, a permanent record that you've been building since the moment you got your first credit card. If you're in the market for a mortgage, read on to discover what it will take to get your financial house in order.

### What's Your FICO Score?

Fifty years ago, Fair Isaac Corporation, a leader in credit-management solutions, developed a credit-score model that has since become an industry standard for expressing an individual's credit worthiness. The score, named FICO after the company, is determined by a number of factors, including payment history, credit history, how many credit inquiries have been made over a given period of time, what kind of credit has been sought and how much credit has been used.

"The whole purpose of FICO is to grade your history and show whether your payments are timely," says Ben Carrubba, branch manager of American Mortgage in Cherry Hill. "If they are, you'll be considered a low credit risk and be rewarded with a good score."

FICO scores, which appear on credit reports, range from 300 to 800, with most people's falling between 500 and 700. If your score is under 500, you'll pay a premium for your mortgage; if it's over 700, you'll probably be offered a better interest rate. Equifax, Experian and TransUnion, the three major credit reporting agencies, each issues its own FICO score. Lenders typically use the middle score of the three to decide about your loan application.

Credit worthiness primarily requires timely payments, yet many people mistakenly think that as long as they pay their bills, even if late, they're in good standing. Other misconceptions are that old, outstanding medical collections and school loans don't hurt credit and that credit-card consolidation can improve