

## FAQ on Qualifying Applicants with Credit Issues



**Q. I have had credit problems in the past. Will this affect my ability to obtain a mortgage loan?**

A. Today's mortgage programs require minimum credit scores. A credit score of less than 640 can seriously affect your chances of getting loan approval. In evaluating an application for a mortgage loan an applicant's credit history will be considered as one element in determining the applicant's qualification for the requested loan. Negative credit histories or a lack of previous credit experience can adversely affect an applicant's ability to obtain a requested loan. More recent credit information will be weighed more heavily than older information. Also, some types of credit histories may be given greater weight than others. Generally, the applicant's previous payment history on a mortgage loan is given the

greatest weight, followed by major installment accounts such as auto loans, followed then by major credit card accounts such as MasterCard and VISA accounts, and finally followed by minor revolving charge accounts such as department stores and finance companies.

**Q. My credit problems occurred more than three years ago. Will this affect my ability to obtain a mortgage loan?**

A. In evaluating a loan application we will look most closely at information occurring in the past two years. Generally, a few late payments occurring on installment loans or credit-card accounts more than two years ago will not affect an applicant's ability to obtain maximum financing (with minimum equity or down payment) as long as the late payments were isolated and an adequate statement has been provided explaining why the credit problems occurred.

**Q. I recently filed bankruptcy. Will this affect my ability to obtain a mortgage loan?**

A. An applicant may be able to qualify for maximum financing with a previous bankruptcy provided that the discharge date is more than two years ago, the applicant has re-established and maintained a positive credit history on at least three accounts since the date of the bankruptcy discharge, and the applicant provides an acceptable explanation for the reason the bankruptcy was filed. Chapter 13 bankruptcy plans (which provide for a restructuring of debt and repayment of all or a portion of the debt over a 3 to 5 year period) must have been fully completed for a two year period to obtain maximum financing at the best available interest rates.

**Q. There is information on my credit report that is either outdated, or incorrect. How do I get these items corrected so that my true credit score is reflected?**

A. This is a common problem, especially after an economic downturn. **Citywide Banks can assist you with repairing your credit report, and save you hundreds of dollars over what you may pay to a credit repair company.** (Customer would be responsible for any charges from the credit bureau.) Remember our goal is to not only straighten out your credit problems, but to assist you through the entire home finance process. Whether you are buying a new home, or re-financing your present home, we can help.

*Presented to you by Citywide Banks*

