

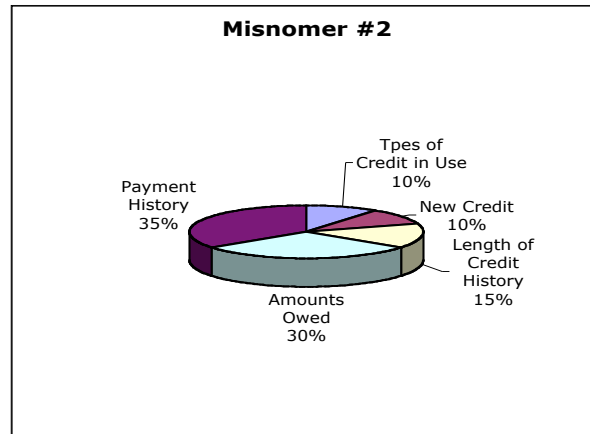
## ALL THE CREDIT NEWS THAT'S FIT TO PRINT...



### *Financial Link Services/ 1-800-CREDIT-911*

Each credit improvement specialist at financial Link Services speaks with, on average, 40 different mortgage professionals every day. During these consultations, our credit improvement specialists have not only been helping educate mortgage professionals and their clients on the affect of derogatory information on credit scores, but have also been spending time correcting misinformation that seems to have been spread consistently from state to state throughout the industry. Over the past six months we have dedicated issues to each of these misnomers; so if you would like more information, contact your FLS rep and they can discuss them with you, or send you any back issues you might have not received.

#### **Misnomer #2: Revolving Debt Balances are the key to Score Improvement!**



Truth: Balances play a role in the credit-scoring matrix. The chart above, as provided by Fair and Isaac Company Inc., shows “Amounts Owed” is a 30% factor in making up an individual’s credit score. Paying down balances can be a useful tool in conjunction with an overall credit improvement plan. It is important to note that balances work as an amplifier of derogatory information. If there is none, then paying down balances to 35% or less of the credit limit can be helpful in maximizing credit score potential. However, if the balances are high in addition to derogatory information (Payment History), then 65% of the score will be determined by the combination of these factors. Simply paying down the balances will not result in substantial credit score improvement without addressing the derogatory accounts as listed on the individual’s credit report. It is important to note the above chart does not figure “Inquiries” in as a specific factor in credit scoring. Inquiries are technically included in the 20% “Types of credit in Use” and “new Credit” areas of the scoring model. In our next issue, we will discuss the misnomer regarding the importance of inquiries as well as the status of legislation aimed at disqualifying inquiries from the credit-scoring matrix.