

# How To Improve Your Credit



## Want to apply for a HUD 184 Home Loan? Before doing anything else, check your credit rating.

Credit ratings are an important part of your overall financial health. They affect not only your ability to get the best interest rates on car financing or credit cards, but also the ability to finance a home. If you've experienced credit problems in the past, it is essential to have a clear understanding of your credit rating so that you can rectify any problems or inconsistencies on your credit reports.

Keep in mind that the amount of money you make does not determine your credit rating. Instead, your rating is based on the length and quality of your credit history. In other words, how much money have you borrowed, how well have you paid it back, and how much money do you currently owe?

These are the primary factors that financial institutions use to determine whether or not to lend you money.

## HUD 184 Native American Home Loan Program Credit Requirements

Unlike most home loan programs, the HUD Section 184 Home Loan Program does not have a minimum credit score requirement in order to qualify. However, it does have specific requirements regarding factors that influence your credit score.

To qualify for a loan, the HUD 184 Home Loan Program requires that you have:

- No outstanding judgments or tax liens
- No outstanding collection items
- No outstanding charge-off balances
- No bankruptcies or foreclosures within the last two years
- No 30-day delinquency ratings within the last twelve months

If any of these issues appear on your credit report, they must be addressed before submitting your loan application.

For people with credit problems, the biggest issues are usually repeated delinquencies (late payments) and/or debts that have been turned over to collection agencies. If you have fallen behind on credit card or car payments, for example, or if you owe money to a collection agency, you must get current on these obligations, regardless of the amount.

The HUD 184 Home Loan Program insists on strict compliance with all of the credit requirements listed above. If you owe as little as \$10 on an outstanding account, you will not qualify for the loan. Therefore, it is essential to clear up any credit issues before submitting your loan application.

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## Fixing Your Credit

### How can you improve your credit rating?

The first step is to request a copy of your credit reports from the three main credit bureau agencies: Experian, TransUnion and Equifax. By law, these companies are required to provide you with one free report every 12 months.

Log on to [www.annualcreditreport.com](http://www.annualcreditreport.com) to obtain your free reports. This is a centralized web site created by the three credit companies to assist consumers in accessing their credit reports. Make sure you request and review all three reports as they may contain different information.

Next, identify any problem areas on the reports and attempt to resolve the issue. Common credit report issues include:

- **Collection item errors.**

Sometimes, collection items that you have paid off will still show a balance on the report. When this happens, file a dispute online with the credit reporting agency and follow their directions for resolving the error.

- **Collection accounts that have not been paid.**

Start by contacting the collection agency to work out payoff arrangements. In some cases, you may be able to settle the debt for less than what is reflected on the report. More often, the collection agency will expect you to pay the full amount. Either way, make sure to get any payment agreement in writing. Once paid, the creditor should verify that the debt will be reported to the credit bureaus as paid in full or removed from the report.

- **Incorrect delinquency reportings.**

If you feel that an item is reporting incorrectly, contact the creditor directly and request a copy of your payment history. If you can confirm a mistake in the reporting, request that the creditor provide a written agreement to update the credit rating. You can also file a dispute directly with the credit bureau.

Never assume that just because you paid off a credit balance it will automatically get properly recorded. Credit companies can and do make mistakes. Get in the habit of checking your credit at least once a year, and promptly resolve any issues that show up on the reports.

## Get Started Now!

Depending on the problem and the creditor, it can take anywhere from 60 days to six months to clear up credit problems. So the sooner you get started, the better.

Keep in mind that as a consumer of credit, you (and only you) are responsible for fixing any problems with your credit. The HUD 184 Home Loan Program won't do it. Your lender won't do it. And the credit bureaus won't do it unless you bring it to their attention by disputing any errors on the reports.

There are a number of "credit counselling" companies that will offer to help fix your credit. Most charge hefty up-front fees for their services. And while they may be able to improve your short-term credit score (which is not taken into account when applying for a HUD 184 Home Loan), most can't do anything more than you can do on your own. So use caution and common sense before hiring anyone to do what you can do for yourself.

When working with creditors, gather all supporting documentation regarding the issue. Keep a record of all contacts (verbal and written) with the creditor while attempting to clear up the problem. And maintain a positive attitude. Creditors are much more willing to work with someone who treats them with patience and respect.

Once you get your credit cleaned up, come back and see us. Our experienced loan officers will guide you through the HUD 184 Home Loan Program process and make it easy to buy your new home.



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