

Good credit rating makes mortgage loan possible



MORTGAGE SHOPPING
DAVID C. MULLY

Gaining the credit you need to begin your house-buying process. Buying a home, particularly for the first time, is a big step. And, because a house is typically the largest purchase a person will make in his/her life, most buyers must get credit to finance their house purchase. Before getting a large amount of credit to buy a house, you need to start establishing your good credit record with smaller amounts of credit.

Getting a good credit rating

Credit allows you to "buy now and pay later." It's a valuable convenience to be able to buy and use goods and services before you're actually able to pay for them. That's why it's so important to maintain a good credit rating. Lenders assess your credit worthiness whether you're a good "risk" to pay off your credit balance by looking at two factors:

- your ability to repay based on income, expenses and debt.
- your credit history and record of repaying your debts on time.

To begin to get a good credit rating, get some experience repaying money. It's not too difficult of a process, but it will take some discipline on your part. For starters, you can open a savings or checking account at a bank and borrow against the amount you have on deposit. Or, you could apply for a co-signed loan where a person with an established credit rating can help you get a loan by co-signing and sharing the responsibility for repaying it. Having a co-signer just tells the bank that if the first party is unable to repay the debt, the co-signer will.

As another choice, you can apply for a department store or oil company credit card. These cards usually are easier to obtain than bank credit cards and are a good way to get started.

You can use your history of rent and utility payments as well.

If you can show that you made payments on an account held in your spouse's name, that account's credit history will be considered as well. The fact that you made regular payments on these bills is just as important to lenders.

The Golden Rule of managing credit is to always repay your debt on time. Your credit rating is a record kept by a credit reporting agency that shows how well you pay your bills and make your loan payments. Other lenders can check your record with the credit agency when deciding whether to loan you money and extend additional credit to you. Lenders want to see not only that you pay your existing debts, but also that you pay your bills on time.

Keeping a good credit rating

You'll want to be careful with the credit you've worked hard to obtain. Some rules of thumb for maintaining a good credit rating are:

- Don't borrow unless you are sure you can meet the payments.
- Don't borrow more than you need.
- Don't borrow unnecessarily; borrow only to fulfill a real need or you might find yourself in more debt than you can afford.
- Don't borrow from many different sources.
- Stop borrowing when you see some danger signals such as past-due notices, inability to make all your monthly payments, or running out of money before payday.

If you have an emergency situation such as the loss of a job or extended illness, and begin to fall behind in your payments, call your lender immediately. If you explain the situation, the lender will usually work with you to make new arrangements for payment. It's very important that you take the first step and call before you fall too far behind and your credit record is damaged.

It's a good idea to periodically check your credit record to see exactly what's on it and make

sure there are no errors. You can obtain a report from a local credit reporting agency. Check your Yellow Pages. One agency, TRW, provides individuals with one annual free copy of his/her credit report. For more information, contact TRW at 1-800-682-7654. If you are denied credit based on your credit record, you can receive a copy of your credit report free if you request it within 30 days of the date of your loan denial.

Establishing good credit can certainly help you down the line when you're ready to apply for larger credit, such as a house mortgage. It's important to keep your use of credit under control so that your credit history will never give a negative impression to a potential lender.

Interest rates in review:

Here are some interest rates that may be helpful to you in tracking the direction of rates for house mortgages. These are just a guide. Be sure to call a lender to get current rate quotes.

In Freddie Mac's Primary Mortgage Market Survey, the 30-

year fixed rate for the North Central area for the week ended Aug. 9 moved downward to 7.93 percent (U.S. average 7.88 percent). A week ago, the average for the U.S. was 8.23 percent, and one year ago, it was 7.80 percent. Current 36-year fixed-rate mortgages have dropped slightly to an average 7.44 percent. Adjustable-rate mortgages also dropped slightly to an average 6.24 percent for our area of the country.

David Mully is a Novi/Northville area mortgage loan officer with nine years mortgage financing experience. He is knowledgeable in all areas of financing with special interest in financing FHA-approved condominiums. For the most up-to-date list of approved FHA condos in your area or help with any mortgage financing, call Mully at 810-488-8712 or toll-free at 1-800-465-3051. You can access Mully's previous mortgage shopping articles on-line at <http://econline.com/emorgidmully>

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Write: Real estate briefs, Observer & Eccentric Newspapers, 36251 Schoolcraft Road, Livonia, 48160. Our fax number is (313) 591-7279.

- **Pre-license training**
The Birmingham Bloomfield Rochester South Oakland Association of Realtors presents a 40-hour real estate fundamentals class, a pre-licensing training course required of salespersons to take the state exam. The class will be offered 9 a.m. to 1 p.m. on successive Mondays and Wednesdays Sept. 16 through Oct. 23 at the association offices in Troy.
Cost is \$185. Registration required by Aug. 30 to Carole Kowalik at (810) 879-8560.
- **CREW meeting**
The Detroit Chapter of Commercial Real Estate Women presents a program "The Secrets of Wine Tasting," 5:30 p.m. Wednesday, Aug. 28, at Relish in Farmington Hills.
Presenter: Madeline Trifon, master sommelier.
Cost is \$25 for members, \$30 for non-members. To register, contact Teresa Welsh at (313) 769-8820 ext. 271 or Laura Pryce at ext. 274.
- **Condominium seminar**
The United Condominium Owners of Michigan presents its 22nd annual seminar 8 a.m. to 3 p.m. Saturday, Sept. 28, at the Michigan State University Management Education Center in Troy. Sixteen sessions will be presented by experts on a variety of subjects to expand the knowledge and improve the decision-making process of condominium association leadership.
Cost is \$95 for the first attendee and \$55 for subsequent representatives of member associations, \$125 and \$75, respectively, for non-members. Continental breakfast and lunch are included.
- To register, call United Condominium Owners of Michigan at (810) 362-8490.
- **Builder's exam**
Builder's Training Services offers a 16-hour class designed to help prospects pass the state builder's licensing exam 6-10 p.m. Sept. 3, 5, 10 and 12 at the Clawson-Troy Elks Club in Troy.
Cost, which includes a 140-page manual and a 590-page textbook, is \$199.
To register, call Les Vilcone at (810) 852-3073.
- **Mortgage workshops**
Ross Mortgage presents free, no-obligation workshops "Avoiding Tragic Mistakes When Shopping for a Mortgage," Monday, Aug. 26, at Freedom Hill County Park, 16000 Metropolitan Parkway east of Schoenherr in Sterling Heights, and Tuesday, Aug. 27, at International Business Center, 43000 Nine Mile east of Novi Road in Novi.
Both seminars run 6:30-7:30 p.m.
"By the end of the seminar, people should have a pretty good idea how to save money as well as how to simplify the home buying process," said Tim Ross, president of Ross Mortgage.
For reservations, call (810) 968-1800.
- **Licensing classes**
The Birmingham Bloomfield Rochester South Oakland Association of Realtors offers a series of six-hour continuing education seminars, one of which must be completed by Oct. 31 to fulfill annual state real estate licensing requirements.
Each session goes 9 a.m. to 3:30 p.m.
Upcoming seminars are slated for Tuesday, Aug. 20, Walsh College, 3838 Livernois; Troy; Wednesday, Sept. 11 and Saturday, Sept. 21, Columbia Center, 201 W. Big Beaver, Troy; and Wednesday, Sept. 25, Standard Federal Bank, 2600 W. Big Beaver, Troy.
Cost is \$35 per session. To register, call Carole Kowalik at (810) 879-8560.

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