

# BoeKnows Real Estate

## Your Questions from Real Estate Buyers, Seller, & Agents

By Patti Boe

**Q: I want to buy a house in the immediate future but my FICO scores are a little low, is there a way I can improve my scores very quickly?**

A: The first rule of maintaining and keeping a healthy FICO score of 720 or higher is **DO NOT BE LATE ON YOUR MORTGAGE PAYMENTS.** This is written in all caps to emphasize the point of how important it is to not be late on your mortgage payments. But it is not the sole deciding factor of your FICO score, the three major credit bureaus involved with FICO scoring are Experian, Equifax, and Transunion. All three of these companies use algorithmic equations taking in a multitude of factors in determining your FICO score. The FICO score range is between 300 and 850 and to get the best rates from lenders today, a mid-score of 720 is needed. For example, if you have the following three scores, 680, 730, 745, you are in a position to get the most competitive rates because your mid-score of 730 is over the 720 benchmark score.

**So what happens if your mid-score falls under 720?** There are a few things you can do to get a rapid turnaround in 30 days. The first and most immediate impact is to look at your credit cards. If you have any credit cards at or over 50% of the maximum credit limit, pay those credit cards to under 50% of the credit limit immediately. For example, if you have a bank credit card and the credit limit is \$5,000 and you have a standing balance of \$3,500, pay that down immediately to 50% of the credit limit, which means sending a payment of at least \$1,000 to bring the balance under \$2,500. One of the biggest detriments to your FICO score is having what is classified as a revolving debt (a credit card) maxed out or over 50% of the balance. Once the revolving debt is paid down to under 50% of the credit limit, the impact on your FICO score can be significant.

**What happens if you don't have the cash to pay down your credit card debts to 50% of the balance?** There is another alternative but one I do not suggest lightly. I will repeat that again in caps, **I DO NOT SUGGEST THE FOLLOWING LIGHTLY.** When you take the previous example, if you do not have the \$1,000 to pay down the balance, you can ask for a credit limit increase. With the above example in mind, requesting the bank to increase your credit limit to \$7,000 will reduce your debt to 50% of the credit limit and can give you a boost in your scores. But this is only for the most disciplined of people because most people are in the habit of just spending and putting more on a credit card once they are granted a credit limit increase.

There are other things you can do to improve your scores which include limiting credit inquires to no more than 12 a year, do not cancel credit cards you may have had for a long period of time, and there are a list of others which we can go into another time. But what was discussed can have the biggest and most immediate impact on your FICO score. If you have any other questions or concerns please feel free to contact me at [patti@pattiboe.com](mailto:patti@pattiboe.com).

**Call Patti Boe 800-738-3261, See [PattiBoe.com](http://PattiBoe.com) for beachfront homes, commercial and income properties**



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