How to Increase Your Credit Score

Having a high credit score can help you in many ways, such as when looking to buy a car, buy a home, and even refinance a home. When looking to purchase or refinance a house, you will pay an interest rate based on market conditions and your ability to pay back lenders. The lender will take into consideration your income and debt ratios, and also look at your credit score before determining the interest rate.

Interest rates for various loan programs are broken down and categorized by credit scores. However, different lenders will break up the categories based on different credit scores, but overall, the higher the credit score, the lower the interest rates and vice versa. A borrower with a perfect credit score is going to be granted a lower interest rate, based on how that person has historically paid back debts. This person who had the perfect credit score would be called an A paper loan. On the other hand, borrowers with subprime credit scores can range from A- paper loan, B paper loan, C paper loan, to the lowest being D paper loan.

Do not go ahead and take out a long term loan agreement without actually knowing your credit score. You can easily save thousands of dollars by going from a D paper loan to a B paper loan. Even though you are still in the subprime category, you are still much higher than when you were in the D paper loan group.

If you have already taken out a mortgage loan even though you did not have the best credit, there is a solution. Working with a qualified mortgage consultant can help you improve your credit score, refinance and save you money. First off, he or she will review the original terms and agreements from the loan and determine whether or not you have a pre-payment penalty clause, which penalizes you for refinancing or paying off the loan early. If you sell or refinance before the pre-payment penalty clause expires and you have not paid of at least 20 percent of the original loan, then an additional percentage will be added to pay back to the lender. This fee is for the lender taking the high risk and high costs of financing.

After that, you should get a hold of free copies of your current credit score, assuming that it is better than what it was before. These copies can be attained from various online free credit centers. You should obtain these roughly six months before the pre-payment penalty clause expires.

There are five main factors that can hinder your credit score and your mortgage consultant can help you improve in these areas. Overall, conserve the use of credit cards, pay off debt as much as possible, do not apply for more credit cards, verify that negative items are paid off, and finally, that those items are removed from your credit report. This good credit history should be reported to all three bureaus. If needed, dispute any lingering errors that are still appearing or your credit report.

Once your credit score improves, it is time to refinance. The mortgage consultant should look for programs that do not have pre-payment penalty clauses longer than two years. This process can and should be repeated until your credit score is up to an A paper status.

About the Author

Refinance.com offers more information about the Home refinance procedure and also about increasing your credit score to get better terms, to learn more visit our site at http://www.refinance.com/