ALIGN LENDING

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ALIGN LENDING GUIDE · NO. 01

Credit Score Improvement Checklist

A step by step way to work on your credit before you apply for a mortgage.

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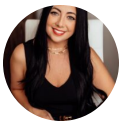
For anyone who wants a stronger credit profile before they buy or refinance.



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Questions about your situation?

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Improving your credit score opens up more financing options. Use this checklist to work through credit repair in a sensible order, starting with what you can see and ending with the habits that hold the gains.

BEFORE YOU START

Work the four stages in order. Pulling your reports first tells you which of the later steps actually apply to you, and it is free. Anything you fix in stage one costs nothing but attention.

Stage 1. Know where you stand

- [ ] **Obtain and review your credit reports** Pull all three reports and read them line by line. You cannot fix what you have not looked at. Reports are free at AnnualCreditReport.com.
- [ ] **Dispute errors** If you find any inaccuracies or errors, dispute them, providing supporting documentation. Keep a copy of everything you send and the date you sent it.

Stage 2. Credit health habits

- [ ] **Pay bills on time** Set up reminders or automatic payments to ensure you pay bills on time. Avoid late payments. Payment history carries more weight than anything else on this list.
- [ ] **Reduce credit card balances** Aim to reduce credit card balances to below 30 percent of the credit limit. Under 10 percent is stronger still if you can get there.
- [ ] **Avoid opening new credit accounts** Multiple credit inquiries can temporarily lower your credit score. This matters most in the months right before a mortgage application.
- [ ] **Keep old accounts open** Keep old and positive credit accounts open to establish a longer credit history. Closing the card you have had longest shortens that history.
- [ ] **Use different types of credit** Diversify your credit mix by having a combination of credit cards, installment loans and retail accounts. Responsible management of different types of credit can improve your score.

Stage 3. Additional strategies

- [ ] **Become an authorized user** Consider becoming an authorized user on a family member's or friend's credit card with a positive payment history.
- [ ] **Settle past-due debts** Work with creditors to settle any past-due debts or collections. Get any agreement in writing before you pay.
- [ ] **Avoid credit repair scams** Be cautious of credit repair companies promising quick fixes. Anything a paid service can legally do, you can do yourself for free.

Stage 4. Monitor and persist

- [ ] **Monitor your progress** Check your credit reports to track improvements, and to catch anything new that should not be there.
- [ ] **Patience and persistence** Improving your credit score takes time and dedication. Be patient and persistent in maintaining good credit habits.

What actually moves your score

Not every habit on this list carries the same weight. If you only have time to work on one thing, work on the top row.

FACTOR	WEIGHT	WHAT THAT MEANS IN PRACTICE
Payment history	35%	Whether you pay on time. One 30 day late payment does more damage than most people expect, and it lingers.
Amounts owed	30%	Mostly your credit card utilization. This is the one that can move soonest, because paying a balance down shows up on the next statement cycle.
Length of credit history	15%	How long your accounts have been open. This is why closing your oldest card works against you.
New credit	10%	Recent applications and hard inquiries. Easy to avoid in the months before you apply.
Credit mix	10%	Whether you have handled more than one kind of credit. Not worth opening anything new just to improve.

Category weights as published by FICO for the general population. Your own mix can shift them

Category weights as published by FICO for the general population. Your own mix can shift them.

How long each of these takes to show up

Credit repair is not one clock. Some of this moves inside a statement cycle and some of it you simply wait out, so it helps to know which is which before you set a timeline.

WHAT YOU CHANGE	WHEN IT SHOWS	NOTES
Paying a card balance down	**Next statement cycle**	Usually 30 to 60 days to appear in a score. This is the lever with the shortest turnaround.
Disputing an error	**About 30 days**	Bureaus generally have 30 days to investigate once you file with documentation.
A hard inquiry	**Falls off in 2 years**	It generally stops affecting your score well before that, often after about 12 months.
A late payment	**Up to 7 years**	It carries less weight as it ages, so a two year old late hurts less than last month's.
A collection	**Up to 7 years**	Settling still matters to an underwriter even when the record stays on the report.

General credit reporting timeframes. Your own reports are the authority on what is actually there.

Myths that quietly cost people points

Checking your own credit hurts it

It does not. Pulling your own report is a soft inquiry and is not counted. Only an application for new credit creates a hard inquiry.

You need to carry a balance to build credit

You do not. Paying the statement balance in full every month still reports the account as active and used, and costs you no interest.

Closing an unused card helps

It usually hurts. You lose that card's limit, which raises your utilization, and eventually you lose its age.

Paying off a collection erases it

Settling is worth doing, and it matters to an underwriter, but the record itself can remain on your report. Get any agreement in writing before you pay.

Once you are in a loan, stop moving

Everything above applies until you apply. From that point until you close, the goal changes from improving your file to keeping it exactly as it was when it was approved.

- [ ] **Do not open new credit** Not a store card, not a furniture plan, not a car. Lenders re-check before closing.
- [ ] **Do not close accounts either** Changing your utilization in either direction can move the number your approval was based on.
- [ ] **Do not change jobs without telling your loan officer** Sometimes it is fine. Sometimes it is not. The problem is finding out late.
- [ ] **Do not make large unexplained deposits** Money that appears with no paper trail has to be sourced, which slows the file down.

Where to get what you need, at no cost

- [ ] **Your three credit reports** AnnualCreditReport.com is the federally authorized source. You do not need to buy a subscription to see what is on your file.
- [ ] **A score to watch month to month** Most card issuers and banks show one at no charge. Treat it as a direction of travel, not the number a mortgage lender will pull.
- [ ] **Help when a bureau will not fix an error** If a dispute goes nowhere, you can file a complaint with the Consumer Financial Protection Bureau at consumerfinance.gov.
- [ ] **A second opinion before you pay anyone** Anything a paid credit repair service can legally do, you can do yourself. Ask a lender to look at your reports first.

YOU HAVE STARTED

Congratulations on taking the first step toward improving your credit score. Following this checklist and maintaining responsible financial habits will help you achieve a better credit standing, opening doors to more financial opportunities.

You do not have to finish the whole list before you talk to a lender. Knowing where you stand today is often enough to know what to work on first.

NEXT STEP

Talk it through before you decide anything

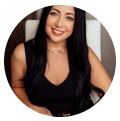
The first conversation does not have to turn into anything. No application, no credit pull, and no obligation to go further.

Tell Samantha what you are trying to do and she will tell you what actually matters in your situation. If the answer is that you should wait, she will say that too.

Open the Mortgage Readiness Review →

alignlending.com/purchase/mortgage-readiness-review/

Scan to open the Mortgage Readiness Review



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