

March 15, 2018 11:13PM

Real Estate Corner: NH residents rank well in annual review of credit scores

By GORDON GRECO

Mortgage Bankers and Brokers Association of New Hampshire

Great news for New Hampshire residents looking to purchase or refinance a home. Based on information compiled by Experian in their annual review of credit nationwide, New Hampshire ranks third in the country for the best VantageScore. The national average was 675. Here are the top five states nationally;

The VantageScore is usually what consumers get when they check their scores. The three main credit bureaus in the United States — Equifax, Experian and TransUnion — introduced VantageScore in 2013 in an effort of making credit scores easier for consumers to understand. Although there are several scoring methods, the score most commonly used by lenders is known as a FICO because of its origins

with Fair Isaac and Company. Fair Isaac is an independent company that came up with the scoring method and software used by lenders, insurers and other businesses. Each of the three major credit bureaus worked with Fair Isaac in the early 1980s to come up with the scoring method.

The three national credit bureaus each have their own version of the FICO score with their own names.

Equifax has the Beacon system, TransUnion has the Empirica system, and Experian has the Experian/Fair Isaac system. Each is based on the original Fair Isaac FICO scoring method and produces similar numerical results for any given credit report.

The number can range from 300 to 850. The formula for exactly how the score is calculated is proprietary information and owned by Fair Isaac. Here, however, is an approximate breakdown of how it is determined:



(/storyimage/UL/20180320/NEWS13/180319462/AR/0/AR-180319462.jpg?q=100)

GORDON GRECO

Your payment history — about 35 percent of a FICO score.

Have you paid your credit accounts on time? Late payments, bankruptcies, and other negative items can hurt your credit score. But a solid record of on-time payments helps your score.

How much you owe — about 30 percent of a FICO score.

FICO scores look at the amounts you owe on all your accounts, the number of accounts with balances, and how much of your available credit you are using. The more you owe compared to your credit limit, the lower your score will be.

Length of your credit history — about 15 percent of a FICO score.

A longer credit history will increase your score. However, you can get a high score with a short credit history if the rest of your credit report shows responsible credit management.

New credit — about 10 percent of a FICO score.

If you have recently applied for or opened new credit accounts, your credit score will weigh this fact against the rest of your credit history. FICO scores distinguish between a search for a single loan and a search for many new credit lines, in part by the length of time over which inquiries occur. If you need a loan, do your rate shopping within a focused period of time, such as 30 days, to avoid lowering your FICO score.

Other factors — about 10 percent of a FICO score.

Several minor factors also can influence your score. For example, having a mix of credit types on your credit report — credit cards, installment loans such as a mortgage or auto loan, and personal lines of credit is normal for people with longer credit histories and can add slightly to their scores.

If you do not know how your credit looks you should check. Congress established an outlet to make it easier for consumers to get their credit reports and credit scores from the three national credit reporting agencies. AnnualCreditReport.com provides consumers with the secure means to request and obtain a free credit report once every 12 months from each of the three nationwide consumer credit reporting companies in accordance with the Fair and Accurate Credit Transactions Act (FACT Act).

Your credit score is a very important factor in not only determining what interest rate you will pay on mortgage loans. It can also affect other items such as insurance premiums. It is great to see that New Hampshire residents are leading the way when it comes to responsible credit utilization.