Free E-BOOK ON How To Restore Your Credit

Credit Restoration Tips

Table Of Contents

Introduction To Credit Restoration.

Rebuilding Damaged Credit

Bad credit can happen to good people. Don't despair.

As you do so, your credit score will improve, resulting in better credit offers and a substantial savings in money.

With patience and timely repayments, you'll likely be able to build a new credit history that creditors will look upon favorably when making decisions about your ability to handle even more credit.

The key to having great credit is to understand the factors that can hurt your Credit Sscore or Rating.

Bankruptcies, tax liens, judgments, student loans, credit counseling, numerous inquiries, repossessions, collections, late payments and charge-offs bring your score down and hinder your chances of obtaining a new loan.

How It Works

Pull 3 separate credit reports from the 3 credit reporting agencies, Experian, Transunion, and Equifax, and dispute any and all negative items.

The entire dispute process is done online and ***does not generate any inquiries*** or put any negative marks on your credit report.

What to Expect

Results can be expected within 30 - 45 days and are mailed directly to the client from the 3 credit reporting agencies.

Once these results are received, you can dispute any remaining items a second time.

Usually the results we are reached within that time frame.

Why Your Credit Score is So Important

The credit scoring model seeks to quantify the likelihood of a consumer to pay off debt without being more than 90 days late at any time in the future.

Credit scores can range between a low score of 350 and a high score of 850.

The higher the score, the better it is for the consumer, because a high credit score translates into a low interest rate.

This can save literally thousands of dollars in financing fees over the life of the loan.

Only one out of 1,300 people in the United States have a credit score above 800. These are people with a stellar credit rating that get the best interest rates.

On the other hand, one out of every eight prospective home buyers is faced with the possibility that they may not qualify for the home loan they want because they have a score falling between 500 and 600.

Mortgage lenders consider a score of 700 or above to be very good.

The Five Factors of Credit Scoring

1. Payment History– 35% Impact

2. Outstanding Credit Balances– 30% Impact

3. Credit History– 15% Impact

4. Type of Credit– 10% Impact

5. Inquiries– 10% Impact

Late Payments and Pre-Foreclosures

What happens when I miss my mortgage payments?

1. If your late 30 days your Credit score goes down to 93%

2. If your late 60 days the Credit Score goes to 90%

3. After ninety days the credit score goes to 87%

If you continue to have late payments then ultimately Foreclosure may occur.

When this happens, your property will be worth less than the total amount you owe on your mortgage loan.

You will be pursued by your lender or the U.S. Department of Housing and Urban Development (HUD) for a deficiency judgment, if this happens, you not only lose your home, but there also would be an additional debt that you would owe to your lender or to HUD.

Foreclosure or a deficiency judgment will seriously affect your ability to qualify for credit in the future.

If possible, avoid this pitfall!

What should I do if I am late with a payment?

1. Never throw away letters from your lender. Call or write the lender immediately if you miss a payment. Explain your situation and be prepared to provide them with financial information, such as monthly

income, and expenses, or the reason you were late. They may be able to help if you disclose all information.

2. Contact a HUD-approved housing counseling agency. Call 1-800-569-4287 or TDD 1-800-877-8339 for the housing counseling agency nearest you. These agencies are valuable resources. They frequently have information on services and programs offered by Government agencies as well as private and community organizations. The housing counseling agency may also offer credit counseling. These services are usually free of charge.

3. If you bought your home with a Veterans Administration (VA) guaranteed loan, call the VA office nearest you.

What are your alternatives?

Your options include the following:

1. Special Forbearance. Your lender may be able to arrange a repayment plan, which would be based upon your financial situation and may even provide for a temporary reduction or suspension of your payments.

You may qualify for this if you have recently experienced an involuntary reduction in income or an increase in living expenses.

You also must furnish information to your lender to show that you would be able to meet the requirements of the new payment plan.

2. Mortgage Modification. You may be able to refinance the debt and/or extend the term of your mortgage loan.

This will help you catch up by possibly reducing the monthly payments to a more affordable level.

You may qualify if you have recovered from a financial problem but your net income is less than it was before the default (failure to pay).

3.Partial Claim.

Your lender may be able to work with you to obtain an interest- free loan from HUD to bring your mortgage current.

You may qualify if:

1)your loan is at least 4 months delinquent, and no more than 12 months delinquent;

2) your mortgage is not in foreclosure

3) you are able to begin making full mortgage payments. When your lender files a Partial Claim, the U.S. Department of Housing and Urban Development will pay your lender the amount necessary to bring your mortgage current.

4. You must execute a Promissory Note, and a Lien will be placed on your property until the Promissory Note is paid in full.

The Promissory Note is interest-free, and will be due if you sell or leave your property, or when your mortgage matures.

How you know when you qualify for these alternatives

A housing counseling agency will help you determine if any of these option meet your needs.

You should also discuss the situation with your lender.

What to be aware of:

Solutions that sound to simple or too good to be true usually are.

If you are selling your home without professional guidance, beware of buyers who try to rush you through the process.

There are people who will use your predicament to take advantage of you.

Be especially alert to the following:

1. Equity skimming.

This type of scam involves a "buyer" approaching you and offering to get you out of financial trouble by promising to pay off your mortgage or give you a sum of money when the property is sold.

The "buyer" may suggest that you move out quickly and deed the property to him or her.

The "buyer" then collects rent for a time, does not make any mortgage payments, and allows the lender to foreclose. Remember that signing over your deed to someone else does not necessarily relieve you of your obligation on your loan.

2. Phony counseling agencies.

Some groups who call themselves "counseling agencies" may approach you and offer to perform certain services for a fee.

These could well be services you could do for yourself, free, such as negotiating a new payment plan with your lender, or pursuing a pre-foreclosure sale.

If you have any doubts about such services call HUD-approved housing counseling agency.

Do this before you pay anyone or sign anything.

Precautions you should take

Here are several precautions that should help you avoid being "taken" by a scam:

1. Never sign papers you do not fully understand.

2. Get all "promises" in writing.

3. Beware of any loan assumption where you are not formally released from liability for your mortgage debt and contracts of sale.

4. Check with an Attorney or your Mortgage Company before entering any deal with your home.

5. If you are selling the house yourself to avoid foreclosure, make sure you check to see if there are any complaints against the prospective buyer.

   You can contact your state's Attorney General, the State Real Estate Commission, or the local District Attorney's Consumer Fraud Unit for this type of information.

Do a Pre-foreclosure sale if you have exhausted every other option.

This will allow you to sell your property and pay off your mortgage loan to avoid foreclosure and damage to your credit rating.

You may qualify if:

1) The "as is" appraised value is at least 70% of the amount you owe and the sales price is 95% of the appraised value,

2) The loan is at least 2 months delinquent prior to the pre-foreclosure sale

3) you are able to sell your house within 3 to 5 months

An additional benefit to this option is the assistance you will receive with the Seller-paid closing costs.

Deed-in-lieu of foreclosure

As a last resort, you may be able to voluntarily "give back" your property to the lender.

You will still lose the house, but it will help your chances of getting another mortgage loan in the future.

You can qualify if:

1) you are in default and don't qualify for any of the other options;

2) your attempts at selling the house before foreclosure were unsuccessful;

3) you don't have another FHA mortgage in default.