



Sandy Krestan

License: 153369

Certified Mortgage Planner

The Krestan Team at Fairway Independent Mortgage

Phone: 602-820-5166

BK 0118867

TheKrestanTeam@Fairwaymc.com

www.SandyKrestan.com



Credit Scores: When Good is not Good Enough

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.

In the past, a consumer with a FICO score of 620 was considered to be a low-risk borrower by Fannie Mae and Freddie Mac. Not anymore. After suffering major losses in the mortgage market, the nation's two largest mortgage finance lenders have redefined risk and begun charging new Loan-Level Price Adjustments (LLPAs).

LLPAs are automatic, cumulative fees based on credit scores and the loan-to-value, and they can significantly increase the cost of mortgage credit. These fees have nothing to do with your mortgage company or its various products and cannot be negotiated away.

Note that LLPAs can be paid up front at closing or be factored into the mortgage itself, with the consumer having the option to choose.

According to Fannie Mae and Freddie Mac, the FICO credit score used to determine the fees for borrowers is the "middle" score of the three scores generated by the three national credit bureaus. For multiple borrowers, the middle score of the borrower with the lowest is used. In addition, requirements will vary based on the loan program and loan-to-value. For those borrowing more than 70% of the home's value, for example, credit scores must be 740 or more in order to avoid being subject to the adjustments.

If you are thinking about getting a mortgage in the next 12 months, your credit score is going to be more important than ever. Call your mortgage professional right away to find out where you stand. In some cases, professional credit repair may be required, which could take up to six months or more to achieve the most effective results.

Stay tuned for more great credit tips!

