

# Credit Repair 101: Bad vs. Low Credit

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Free Mortgage Blog



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## **Credit Repair 101: Poor credit vs. low credit score**

I was interviewing a client the other day, and in the course of our discussion, she told me that she didn't think she could qualify for a home loan. When I inquired why she felt that way, she said that it was because she had 'lousy credit.' As we moved forward and I reviewed her credit report, it revealed something completely different. She did not have lousy credit; she just had a low credit score.

The conversation that followed was one that I thought would be great for a short blog article....,

### **Bad credit and a low credit score are two completely different things.**

So, what's the difference between having a low credit score and having poor credit? The answer is simple, and it has to do with exhibiting a pattern of irresponsibility.

A person with poor credit exhibits the following characteristics:

- They pay their car payment late every month
- They opt to skip credit card payments at will
- They consider bills to be the absolute last priority
- They make less than the minimum required payments
- They charge up a new credit card and then never make a payment
- Spend money out of their checking for new stuff, instead of for the bills that are due

These purposeful actions are what cause people to have poor credit. Having poor credit is the result of being irresponsible about paying the debts that you have the complete ability to pay. It's just not as important as everything else going on. The choice to think about and handle financial obligations in this manner causes a person to have poor credit, and hence they are deemed a severe credit risk. Individuals that exhibit this pattern of behavior have extreme difficulty obtaining financing of any kind. Since just about everything in life requires a credit check, this can be a huge problem.

After being in this industry for 15 years, I've found that the majority of people out there do not match the characteristics listed above; in fact, they're the exact opposite. Most of the people that think they have lousy credit, actually don't; all they have is a low score.

### **A person can religiously pay all of their bills on time each month but could still have a low credit score.**

Most often, the lower credit score is caused by something simple such as a medical collection. Because of the way these accounts report to the bureaus, just one medical collection account can drop a credit score by 100 points or more.

Someone can also have a low credit score due to a sudden catastrophic event, such as a severe illness or death in the family. The temporary problem results in a lower credit score right now, but, does not negate the otherwise perfect payment history. The lower score doesn't mean you have bad credit; it just means you had a bump in the road dealing with a life event.

To summarize, lousy credit is being irresponsible and not giving a damn about it. You cannot get a home loan with poor credit.

A low credit score is just a temporary bump in the road, caused by everyday life events catching you off guard. After a little bit of credit building, a person with low credit scores definitely CAN obtain a home loan.

If you fall into the 'low score' category, do yourself a favor and call a mortgage broker. Have your credit report reviewed and discuss the bumps in the road you encountered. You may find that you don't have to keep renting because you qualify for a home loan after all!

If you have questions about any part of the mortgage process, feel free to contact us.

**Contact Wendy or Havana 7 days a week for more information:**

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