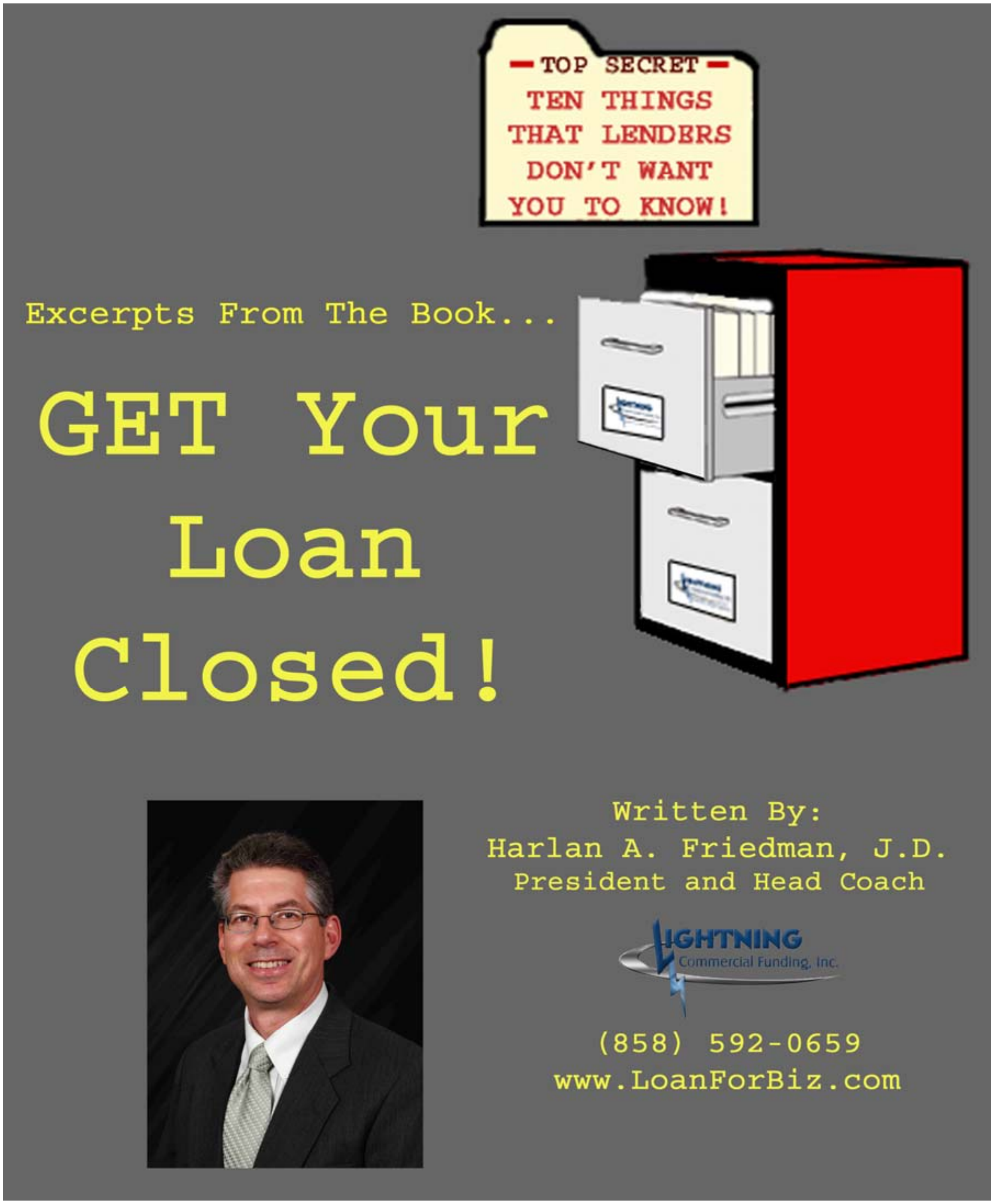


Understand How Your Credit Score Will Influence the Underwriting Approval Process

Numbers, Numbers, Numbers, what do they all mean?

Your credit score, as you are most likely aware, will be a very important factor during the underwriting process and ultimate approval for your loan. But once again we are ahead of ourselves.

So let's examine first what is your credit score and how it is calculated. Then we will determine what, if any control you have of improving your score. For a much more in-depth study on credit scoring please refer to our book *GET Your Loan Closed!* which you can download now.

Fair Isaac or FICO scores are the key to the lock that must be opened before any bank will entertain a loan for you. Before the bank decides on what the loan terms are (which they base on their "risk"), lenders want to know two important things about you. "Do you have the financial capacity monthly to make payments on the loan and what is your willingness to repay the bank during the term of the loan?"

For the first question, the bank calculates your income-to-debt obligation ratio; more on this ratio in an upcoming white report.

For your willingness to pay back the loan your credit report and score is consulted.

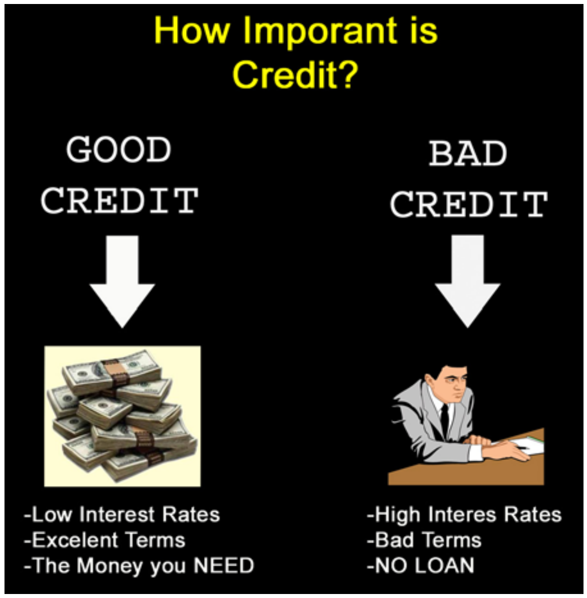
What is credit scoring?

Credit scoring is a system creditors use to help determine whether or not to extend you credit.

Information about you and your credit experiences, such as your bill-paying history, the number and type of accounts you have, late payments, collection actions, outstanding debt, and the opening date of the extension of credit is collected. All this information and more is gathered from reviewing your loan application and verified by the contents of your credit report. Much much more in *GET Your Loan Closed!*

Why is credit scoring used?

Credit scoring is based on real data and statistics, so it usually is more reliable than subjective or judgmental methods. The credit process treats all applicants objectively. Judgmental methods typically rely on criteria that are not systematically tested and will vary when applied by different individuals and institutions.



The most widely used credit scores are FICO scores, which were developed by Fair Isaac & Company, Inc. (and they're named after their inventor!). Your FICO score is between 350 (high risk to lender) and 850 (low risk to lender).

Credit scores only consider the data and information contained in the credit profile. They do not take into consideration other factors such as a borrower's income, savings, down payment amount, or even demographic factors like gender, race, nationality or marital status. Credit scoring was developed as a way to consider only what was relevant to somebody's willingness to repay the loan.

With a client's credit score, the challenge from a lenders point of view is that it is always changing. The problem then becomes that you "pull" your credit and feel comfortable when the score shown is over 650, the minimum for many lenders to grant SBA loan approval, and the lender get a different score when they "pull" it. The reason for this divergence may be as simple as the lenders credit report is different than the "free" one you can "pull" on the internet, or there could be actual changes due to other institutions updating information to the three main credit reporting agencies; Experian, Trans Union, and Equifax. Most agencies will report credit delinquencies every thirty days. For more on reading and understanding about your credit report, download our 95 page color book *GET Your Loan Closed!*

Credit analysis and the credit decision process are done in-house by the underwriter assigned to your loan by the Financial Institution. The lender is required to use appropriate and generally accepted credit analysis processes and procedures, and they must be applied consistently. Acceptable analytical measures include “credit scoring,” if the lender uses credit scoring More on the scoring in , *GET Your Loan Closed!*

The one thing a lender does not want is to be surprised. I cannot stress this enough, surprises are not good for the banker or for you! They will significantly affect your likelihood of approval.

For more ideas on fixing your credit score read our 95 color page book *GET Your Loan Closed!*

Your next free report will be discussing how your cash flow impacts your loan approval.