

W I S C O N S I N

Office of Privacy Protection

Safeguarding Information for Your Future

Home Buying and Your Credit Score

If you're in the market to buy, it's important to know where you stand in terms of your creditworthiness, and its impact on the interest rate you are likely to pay.

In simple terms, your credit score indicates your risk factor to lenders. That means that the higher your credit score — the less of a risk you appear to lenders — the lower interest rates you're likely to pay. Conversely, if you have a low credit score, you may pose a greater risk to the lender and your interest rates will most likely be higher. A higher interest rate can increase your total cost for the home by thousands, if not tens of thousands, of dollars.

Factors that impact your credit score include:

- Whether you pay your bills in full and on time.
- Your employment history.
- Your outstanding debt.
- How long you've been building credit.
- Uncollected debt – debt that has been written off, but remains in your credit history.
- Inquiries on your credit report or the number of times someone has asked for information about your credit report.

Most of the items listed above you have control over, but a few may be out of your control. For instance, uncollected debt on your credit report may be the result of fraud against you that you may not be aware of if you are not regularly reviewing your credit report.

By monitoring your credit report, you can be sure your credit score is accurate.

- Request your free credit report at www.annualcreditreport.com or at 1-877-322-8228. You are allowed one free credit report form each of the three credit reporting agencies annually. Requesting a report every four months will allow you to monitor your report effectively throughout the year.

- Review your credit report regularly and report any fraud to law enforcement by filing a police report. Be sure to contact the credit reporting agencies to remove any inaccurate or fraudulent activity from your report.

Another uncontrollable factor is the number of inquiries on your credit report. When **you** request your free credit report it doesn't affect your credit score. However, when a **creditor** inquires, it may.

Entries on your credit report could prevent you from finding financing. The sooner you learn about what is on your credit report and how it's affecting your credit score, the sooner you'll understand its impact on your home buying and mortgage loan processes. And, if there's something on your report that shouldn't be, you may be able to fix it and increase your credit score.

If you believe your identity has been stolen, contact the Wisconsin Office of Privacy Protection at 1-800-422-7128 or email us at DATCPWisconsinPrivacy@Wisconsin.gov for more information.