

3 Essential Homebuyer Tips on Credit Scores and Inquiries



Credit scores matter when buying a home because they're a factor lenders use to approve mortgages and set rates and fees. People with higher scores usually find it easier to borrow money and may enjoy lower costs.

Credit score inquiries are done for various purposes, and some can lower your credit score. That's why it's essential to know how to keep your score as high as possible while applying for a mortgage.



1. UNDERSTAND THE DIFFERENCE BETWEEN A "HARD" AND A "SOFT" CREDIT INQUIRY

Soft credit checks are done for informational purposes only and don't affect your score. For example, checking your own credit score is considered a soft inquiry.

Hard inquiries are made for lending purposes, such as applying for a credit card, which can lower your credit score by a few points. You must grant permission for any hard credit inquiries, and they'll remain on your report for two years.



2. PRESERVE YOUR CREDIT SCORE WHEN BUYING A HOME

Avoid doing anything that could reduce your credit score while securing a mortgage since a lower score could result in a higher interest rate or failure to receive final approval.

This often means delaying significant purchases on credit, like new furniture or appliances. Applying for a consumer loan or a new credit card will trigger a hard credit inquiry. Also, substantially increasing the balance on your existing credit cards could lower your score.



3. SUBMITTING APPLICATIONS WITH MORE THAN ONE MORTGAGE PROVIDER

It's always good to shop around for the best rate and terms, and it shouldn't hurt your credit score if you make all your applications in a short period (aim for less than 45 days).

The credit bureaus recognize such activity as "rate shopping" and typically group several hard mortgage-related inquiries and report them as a single inquiry.



As an ABR®, I can point you in the right direction. Let's connect today.



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