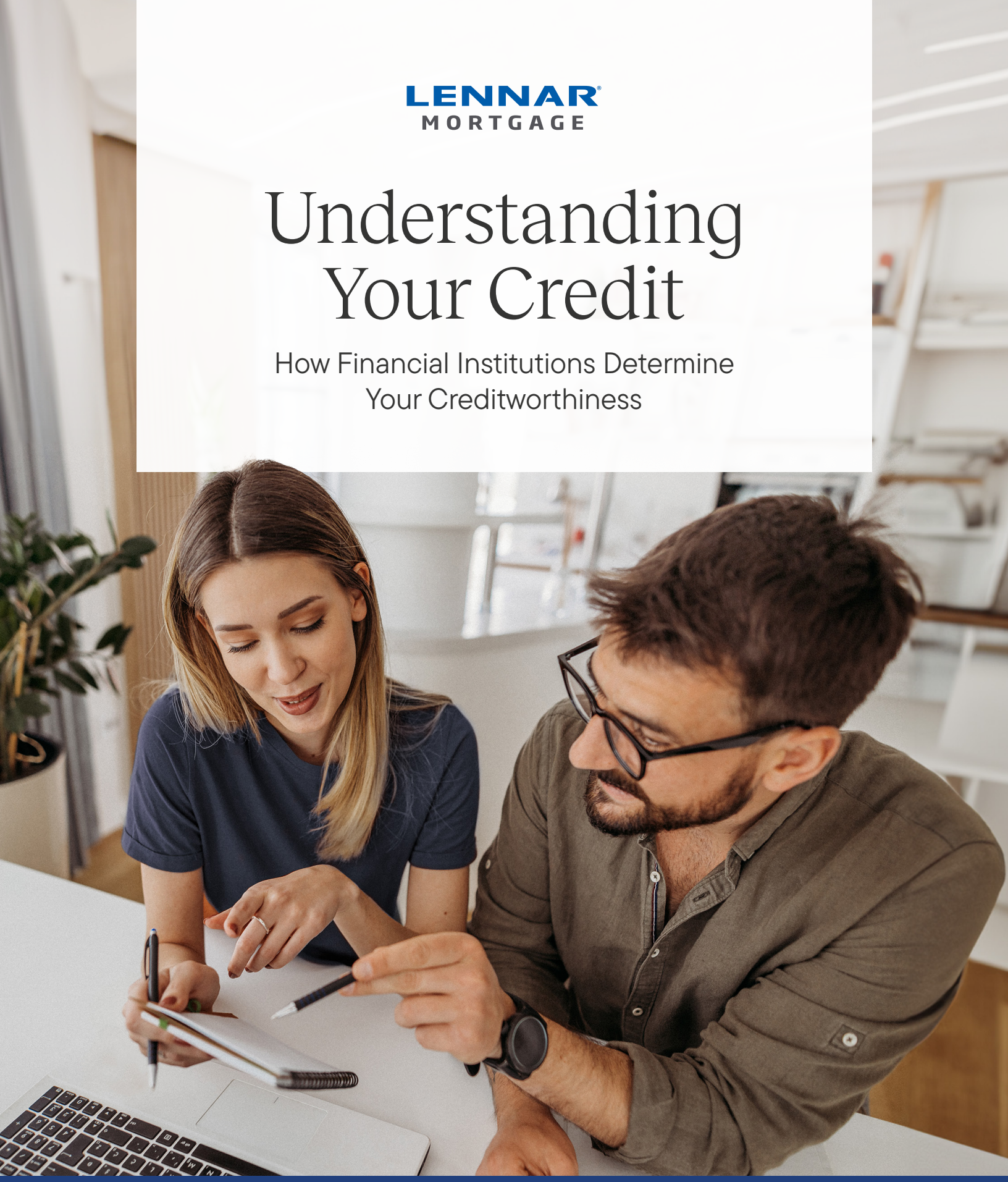
LENNAR MORTGAGE

Understanding Your Credit

How Financial Institutions Determine Your Creditworthiness



Creating the World's *Simplest* Path to Homeownership



Make informed decisions. Unlock new opportunities.

It all starts with learning the basics.

Your day-to-day financial decisions affect your credit profile - whether you realize it or not.

It's essential to understand how your actions influence your credit profile.

With a strong foundation on how creditworthiness is determined, you'll be better prepared to make the best financial decisions for you and your family.

At Lennar Mortgage, LLC, we want our homebuyers to understand their choices and make informed financial decisions.

In this guide, we'll cover the basics of credit, including the role it plays in the mortgage process.

After reading through this guide, you'll be able to:

- Understand credit and why it's important
- Check your credit score and understand how it's calculated
- Debunk some common misconceptions about credit
- Implement habits that could improve or maintain your credit

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Your Guide to Credit

An Introduction to Credit

Learn More

How Your Past Financial Behavior Affects Your Future Options

What exactly is credit and what role does it play in your life? Learn more about how your credit profile is determined and how credit can expand the financial options available to you.

Calculating Your Credit Score

Learn More

The Factors and Formulas That Determine Your Score

Learn how the most popular credit model, FICO score, uses your financial history to calculate your credit score.

Credit Myths Debunked

Learn More

The Truth Behind Common Credit Misconceptions

Avoid falling for these credit myths. Your credit score will thank you! With the facts to back you up, you'll be equipped to make the best decisions for your financial future.

How Credit Affects Homebuying

Learn More

What To Expect When Applying for a Mortgage

Your credit profile is a huge factor in determining if you'll be approved for a mortgage! See how planning ahead can improve your loan terms and help you budget.

Improving Your Credit Score

Learn More

How Good Credit Habits Make a Difference Over Time

Start using these tips now to build your reputation as a reliable borrower!

Our Homebuyer Solutions Program

Learn More

Complimentary Guidance to Overcome Credit Challenges

Learn how we help make homeownership possible for more homebuyers.

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Introduction to Credit



How Your Past Financial Behavior Affects Your Future Options

Many Americans have some understanding of what credit is – including the concept of "good" vs. "bad" credit.

But not everyone has a solid foundation of knowledge that can help them maintain a healthy credit profile.

What is Credit?

In short, your credit is your reputation as a borrower. It's a standardized way to express your history of managing your debt and making on-time payments.

Your creditworthiness – based on your reliability to repay past debts – is often expressed as a number, which is called a credit score.

Your Credit Report

There are three major credit reporting agencies that gather your history and report your credit score: Equifax, Experian and TransUnion.

These credit bureaus provide a master document – called a credit report – that includes the following information.

- Open and closed accounts
- Account balances

Get Your Free Credit Report

You're legally allowed to view your credit report once a year completely free via AnnualCreditReport.com.

Check out the following methods of receiving your free credit report.

- Online: AnnualCreditReport.com
- Over the Phone: (877) 322-8228
- By Mail: Mail the Annual Credit Report Request Form to *Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281*

Get Your Free Credit Report →

Establishing First-Time Credit →

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- Credit limits
- Hard inquiries into your credit
- Payment history

Why Does Credit Matter?

So what role does this number play in your everyday life? In short, the better your credit, the more financial opportunities you'll have to choose from.

When you apply for a loan or credit card, the lender will use your credit profile to estimate the amount of risk they're taking by lending to you.

A higher credit score means you're more likely to be approved. It can also mean more favorable loan terms and higher incentive credit cards!

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Calculating Your Credit Score

The Factors and Formulas That Determine Your Score



So how is your credit score determined? It depends. There are a few different formulas and scales used for different purposes.

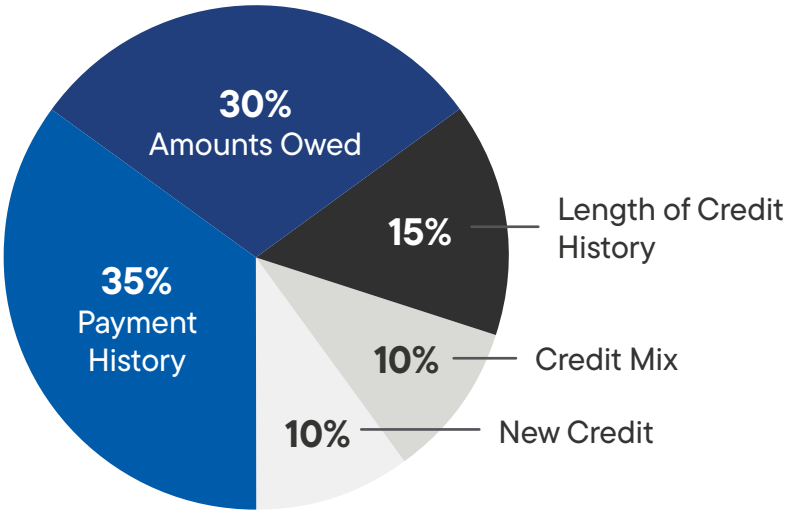
FICO Scores

The most widely used score is the FICO score, ranging from 300 to 850.

Ranges vary based on lender, a score in the mid-600s and above is an excellent start to qualifying for the best terms and rates.

This score is determined by five factors.

FICO Score Breakdown



Five Factors That Influence Your FICO Score

35%: Payment History

This is your history of paying your credit accounts on time. Avoid making payments late to keep your credit score healthy.

30%: Amounts Owed

The total amount of debt that you owe is called your debt load. On top of paying down your loans over time, aim to use a low percentage of available credit.

15%: Length of Credit History

How long you've had a history of managing debt also matters. A longer history can lead to a higher credit score.

10%: Credit Mix

Having both revolving credit (like credit cards) and installment loans is beneficial to your score.

10%: New Credit

Multiple hard inquiries at once can lower your score. Avoid making major purchases around the same time.

Source: wwwMyFICO.com/Credit-Education/Whats-In-Your-Credit-Score

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Will It Affect My Credit Score?

Shopping around for the best interest rate on a mortgage	Not necessarily. All hard inquiries from mortgage lenders within a 45-day period will count as a single inquiry. Plan accordingly and you can compare lenders with minimal impact to your score.
Having too many credit cards	Possibly. If you have high balances or a high balance-to-limit ratio, your score can be negatively impacted.
A spouse who had bad credit before our marriage	Usually, no. Credit accounts in your spouse's name won't affect your credit unless you live in a community-property state and the account was created after your marriage. Joint accounts, loans you have cosigned or credit you're authorized to use may impact your score if it appears on your credit report.
Cosigning on a loan or credit account	Yes, accounts you cosign on appear on your credit history. When you cosign, you accept full responsibility if the other person doesn't pay as agreed.
Making a late payment	Yes, for up to 7 years. On-time payments are one of the biggest factors used to calculate a FICO score.
Credit inquiries	Sometimes. Hard credit inquiries, or inquiries from a lender that obtains your consent, do impact your score. Soft inquiries, such as you checking your score with an online service or a company viewing your credit as part of a background check, will not appear on your credit report.
Utility or cell phone payments	Usually, no. These would only affect your credit if they were unpaid and sent to a third-party collection agency.
Closing a credit card	Yes. Closing a credit card may decrease your score. This is because it lowers your available credit, usually increasing your credit utilization. It may also affect your credit mix and length of credit.
Old addresses	No. Addresses aren't used in the credit score calculation, so old or incorrect addresses on your report are not very important.
Paying a charge-off	Possibly. The charge-off will remain on your credit report, but show as paid off. Over time, your credit may improve if you continue paying your other accounts on time.

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Credit Myths Debunked

The Truth Behind Common Credit Misconceptions



It's important to know what affects your credit and what doesn't. Here are a few common misconceptions about credit, and why you don't need to worry about them.

"Checking my credit score will hurt my credit."

Some credit checks will affect your score, but not the ones you perform on your own.

There are two ways that someone can check a credit report: "soft" or "hard" inquiries.

Hard inquiries are performed by prospective lenders after obtaining your permission, and may temporarily lower your score.

When shopping for a mortgage, all hard inquiries from mortgage lenders within a 45-day period will count as a single inquiry, allowing you to shop around and compare lenders.

Soft inquiries from online credit checking services won't affect your score in any way. So don't hesitate to check your score often!

"I should close credit cards to improve my credit score."

Closing accounts won't necessarily help your score, especially revolving credit accounts like credit cards.

In fact, less credit available will often increase your credit utilization, a big factor in determining your credit score. Closing older credit accounts can also affect your average credit age.

You may need to use your credit card every so often to avoid automatic closures or fees. This extra step may be worthwhile if you're going to apply for a loan in the near future!

"My credit score accounts for my demographics."

Credit reports don't contain demographic information.

They also don't indicate the balances you have in your bank accounts or retirement accounts. Only credit balances are reported.

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The Equal Credit Opportunity Act (ECOA) prohibits discrimination in lending based on factors including:

- Race
- Color
- Religion
- National Origin
- Sex, including sexual orientation and gender identity
- Marital status
- Age
- Whether all (or part) of a person's income comes from public assistance
- Whether the applicant has in good faith acted on one of their rights under federal credit laws

"Paying off my collection debts will erase them."

While we encourage you to pay off your debts, it's important to know that collection debts may stay on your credit report for up to seven years.

If you're trying to increase your credit score, try reaching out to the account holder directly to ask that they completely delete the record from your report.

Your Lennar Mortgage, LLC Credit Specialist or Loan Officer may be able to provide guidance if the collection company is not willing to delete the account. Contact us to learn more.

"I can hire someone to fix my credit."

There's nothing a credit repair company can do that you can't do yourself.

There are several reputable services that can help you plan how to repay your debt and remove inaccurate information from your report.

The only legitimate way to improve your credit score is to practice good credit management.

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How Credit Affects Home Buying

What To Expect When Applying for a Mortgage



If you're looking forward to buying a home, paying special attention to your credit can go a long way.

Your credit score is one of the primary metrics a lender will use to determine if you qualify for a mortgage. If you do qualify, your credit will also influence the terms of your loan.

How Lenders Check Your Credit

At Lennar Mortgage, LLC, we'll check your credit during the first step of the mortgage process, the pre-qualification.

After completing the pre-qualification, you'll receive an estimate of the loan amount you may qualify for.

If your initial application is denied, we may recommend you to our credit education service, HomeBuyer Solutions, to address credit issues before continuing the loan process.

We'll assess your credit profile based on a merged credit report from the three major credit bureaus (Experian, Equifax and TransUnion).

The scores from Experian, Equifax and TransUnion often vary slightly from one another. We'll use the middle score during the mortgage process.

How Credit Impacts Loan Pricing

As with other types of loans, your credit score plays a huge role in the terms of your home loan.

A higher score can mean more options, and better options, to choose from when deciding on a mortgage. Here are a few benefits associated with a higher credit score:

- Qualify for more loan products, giving you the flexibility to choose what works best for you
- Access to more down payment assistance options
- Lower interest rates on your mortgage

A lower score indicates that the lender is taking on a bigger risk by lending to you. If approved, borrowers with a lower credit score can expect to pay higher interest rates.

How to Plan Ahead

It can take a while to improve or correct your credit. Even before you begin looking for homes, it's a good idea to take these steps for a smooth mortgage application.

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- Request a credit report from all the credit bureaus: Experian, Equifax and TransUnion. You can request a report from each website directly, or visit AnnualCreditReport.com for a free report from all three bureaus!
- Review your report for inaccuracies, issues and areas you can improve on. Make a plan for correcting mistakes and/or implementing better credit habits.
- Opening new lines of credit before or during the mortgage process can affect your score. Plan to avoid making major purchases (such as vehicles) or opening new credit cards during the mortgage process.
- Shopping around for the best mortgage is a great idea. All inquiries from mortgage companies within 45 days will count as just one hard inquiry on your credit report. Take this opportunity to get pre-qualifications from a few lenders and compare your options.

Taking the First Step

It's tempting to start searching for your dream home, but it's best to go in with a budget. The first step of your home search should be asking for a pre-qualification from a lender.

Pre-qualification gives you an idea of the loan amount you may be approved for, an important factor in budgeting for your home. Use your pre-qualification amount and how much down payment you have saved to determine what price ranges match your budget.

Get Pre-Qualified Online →

Requesting a loan pre-qualification and making a loan application does not constitute a loan approval or otherwise indicate that a consumer has or will qualify for a loan from Lennar Mortgage. Pre-qualifying with Lennar Mortgage is voluntary and is not required in order to obtain a loan from Lennar Mortgage and/or purchase a home from Lennar Corporation or any of its affiliated homebuilders. Pre-qualification does not (a) constitute a loan approval or indicate that you have or will qualify for a loan from Lennar Mortgage, or (b) guarantee you will qualify to purchase a Lennar home.

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Improving Your Credit Score

How Good Credit Habits Make a Difference Over Time



Now you know the importance of credit scores and how they're determined. The next step is using what you've learned to build, improve or maintain your credit score!

Healthy credit requires consistency and time. Start practicing these habits to build your reputation as a reliable borrower!

Make Payments on Time

In the FICO score model, payment history is responsible for the biggest percentage of your credit score.

On top of having a big impact, late payments can stick around on your credit report for up to 7 years.

For ease of mind, set up auto-payments for bills to avoid missing a payment by mistake.

Open a Credit Card

If you've never had a credit card, you're missing an opportunity to build your credit!

Opening a credit card adds to the mix of accounts listed on your credit report, gives you additional payment history and can improve your credit utilization.

Just make sure not to spend more than you can pay back and make your payments on time!

Secured Credit Cards

Credit cards are a great way to begin building your credit, but many require credit history to open.

If you're completely new to credit, ask your bank or credit union about a secured credit card.

Secured credit cards require a cash deposit equivalent to the credit limit of the card. Each payment will build your credit history, making this a great option for establishing credit.

Improve Your Credit Utilization

Credit utilization, or the ratio of your outstanding balances to overall available credit, is an important factor in your credit score.

Even if you're paying off your balances in full each month, you should still aim to use less than 30% of your credit limit before making a payment.

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There are two ways to lower your credit utilization: decreasing your usage or increasing your limit.

Decreasing your usage could mean using your credit cards less, either by cutting your spending or using cash/debit cards. You can also pay off your credit card more often to keep your balance low.

Knowing the importance of credit utilization, it's beneficial to ask your bank for a credit limit increase when possible. A higher limit means you're using a lower percentage of your available credit while spending the same amount.

You can also improve your credit utilization by maintaining more than one credit card. This is one of the reasons it may be beneficial to leave credit cards open even if you barely use them.

Resolve Inaccuracies on Your Credit Report

A huge reason to check your credit report often is the possibility that an error is bringing down your score.

Errors on your report may include:

- Credit activity you don't recognize or that isn't in your name
- Payments incorrectly reported as late
- Negative information that is too old to be included in your report
- *(Most derogatory marks stay on your report for 7 years. Chapter 7 & 11 bankruptcies stay on for 10 years.)*

While this tip doesn't apply to everyone, it's important to verify your credit report for accuracy before applying for a major loan.

And Keep It Up!

Many of the tips we shared improve your credit a little at a time. Each on-time payment builds your reputation as a reliable borrower.

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Our Homebuyer Solutions Program

Complimentary Guidance to Overcome Credit Challenges



Overcoming credit challenges shouldn't prevent you from buying a home.

As part of our mission to create the world's simplest path to homeownership, we're pleased to provide complimentary credit education through our Homebuyer Solutions program.

How it Works

1. Get pre-qualified[1] at LennarMortgage.com to connect with your dedicated Loan Officer.
2. If your initial application is denied, your Loan Officer may recommend our complimentary Homebuyer Solutions program.
3. You'll recieve a personalized credit education plan to strengthen your buying power, one step at a time.
4. After you've achieved your credit goals, you'll have a clearer path to qualifying for your dream home!

Get Pre-Qualified[1] Today! →

Explore More

We want you to have all the tools you need to confidently finance your home. Check out these online resources at your convenience, or call us anytime!

Payment Calculator →

Explore Loan Options →

Latest Blog Posts →

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