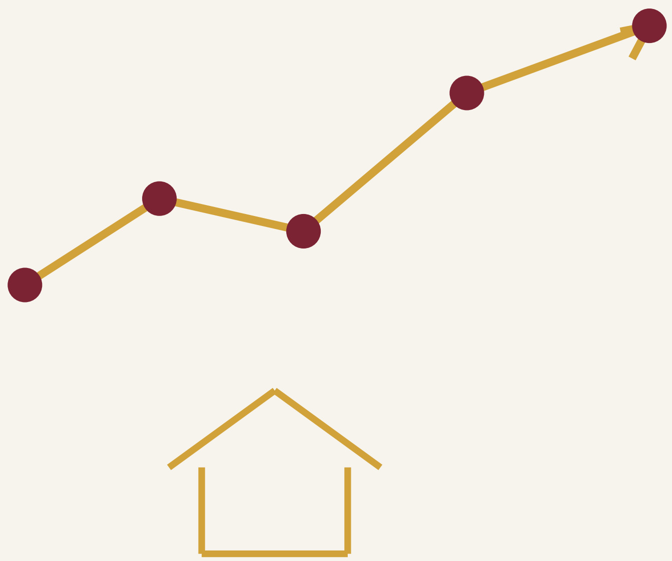
Credit Improvement Guide

Simple steps to prepare your credit before buying a home



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Why Credit Matters When Buying a Home

Credit is one of the pieces lenders review when deciding what loan options may fit you. Your score can affect program eligibility, interest rate, mortgage insurance, required down payment, and whether extra documentation is needed.

The goal is not perfection. The goal is to understand where you stand, avoid common mistakes, and make smart moves before you apply or while you are preparing to buy.

Important note

This guide is educational. It is not credit repair, legal, tax, or lending advice. If you have major credit issues, collections, disputes, judgments, identity theft, or bankruptcy history, ask a licensed lender or qualified housing counselor what steps make sense before taking action.

Start with these three questions

- [ ] Do I know my current credit score range?
- [ ] Have I reviewed my credit reports for errors?
- [ ] Am I planning to apply for any new credit before buying?

1. What Usually Helps Your Credit

Credit scoring models are complex, but most practical improvement plans focus on a few repeatable habits: pay on time, keep balances lower, avoid unnecessary new debt, and correct inaccurate information.

Action	Why it can help
Pay every account on time	Payment history is a major factor. Even one late payment can create problems when you are preparing for a mortgage.
Lower revolving balances	Credit card utilization can affect scores. Paying balances down may help more than opening new accounts.
Avoid new debt before applying	New loans, credit cards, and hard inquiries can change your score, debt-to-income ratio, and approval picture.
Keep older accounts open	Older positive accounts may help your credit history. Closing cards can sometimes hurt utilization.
Check reports for errors	Incorrect late payments, balances, collections, or personal information should be disputed with the credit bureaus.

Buyer tip

Before paying collections, disputing accounts, consolidating debt, or closing credit cards, ask your lender how that specific action could affect your mortgage timeline. A well-intended move can sometimes create a delay.

2. What to Avoid Before and During Pre-Approval

A common first-time buyer mistake is making financial changes right before applying or after getting pre-approved. Even small changes can affect the file if they happen at the wrong time.

Avoid this	Why it may matter
Opening new credit cards	Can trigger inquiries, lower average account age, and add new monthly debt.
Buying or leasing a vehicle	A new auto payment can reduce buying power and affect debt-to-income ratio.
Running up card balances	Higher utilization can lower scores and increase minimum payments.
Moving large sums of money around	Lenders may need to document deposits and verify where funds came from.
Changing jobs without asking	Income stability and documentation matter. Job changes can be fine, but ask before making a move.
Ignoring bills during the process	Late payments before closing can create serious problems.

Simple rule

Once you are preparing to buy, ask before making credit, debt, job, or bank-account changes. A 5-minute question can save weeks of frustration.

3. A Simple 30-60-90 Day Credit Prep Plan

This is a practical planning timeline for buyers who want to get organized before applying. Your exact plan may be different depending on your credit report, timeline, and loan options.

Timeline	Focus
First 30 days	Check your reports, list all debts, confirm minimum payments, set every bill to autopay or reminders, and stop applying for new credit.
Next 60 days	Pay down high-balance credit cards where possible, keep balances from growing, gather income/asset documents, and ask a lender what score range or program target matters.
Next 90 days	Maintain on-time payments, avoid new accounts, save for cash to close, and review whether you are ready for pre-approval or need more time.

Questions to ask a lender

- [ ] What score range matters for the loan options I may use?
- [ ] Would paying down a specific card help my approval more than saving extra cash?
- [ ] Should I pay or leave any collection accounts alone for now?
- [ ] Do I need homebuyer education or counseling for any program?
- [ ] What could change my pre-approval before closing?

4. Credit Myths First-Time Buyers Should Know

Myth	Reality
I need perfect credit to buy a home.	Not always. Different programs have different requirements, and some buyers qualify without perfect credit.
I should close old credit cards before applying.	Not automatically. Closing accounts can sometimes hurt utilization or credit history. Ask first.
Checking my own credit ruins my score.	Checking your own credit is generally different from a lender hard inquiry.
All debt is bad.	Lenders review the type of debt, payment history, balance, and monthly obligation. The monthly payment often matters more than the total balance.
A pre-approval means nothing can change.	Credit, income, debt, property, and documentation can still affect final approval before closing.

Next step

If credit is one of your biggest concerns, do not guess. Complete the MNHBC intake form and ask to be connected with the right next step - a lender, education resource, or credit improvement resource depending on your situation.

Visit: MNHBC.com

Suggested references for buyers: AnnualCreditReport.com, the Consumer Financial Protection Bureau, HUD-approved housing counselors, and your licensed mortgage professional.