

When Applying For A Loan, Put Yourself In The Lender's Shoes

(NAPSA)—If someone you didn't know asked to borrow money from you, what would you need to know before you took the risk of making the loan? Most likely, you would want to know that this person had borrowed money before and had a good track record of repaying it.

Banks and other lenders are no different. They decide whether to loan you money based in part on the history they see on your credit report. They use this information to determine how much of a risk you are—the lower your credit risk, the lower the interest rate they charge you.

So what do lenders look for when they size you up?

1. Your payment track record. Whether you're applying for a credit card, cell phone service or new utilities hookup, creditors want to see that you have a history of making regular, on-time payments. A single missed payment can lower your score. Bankruptcies, collections, judgments, defaults, liens, foreclosures or repossessions may result in a decline.

2. Your current debts. The less you owe, the better. What you spend each month on credit payments shouldn't be more than 40 percent of your total after-tax



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income. This is known as your debt-to-income ratio.

3. Your credit history. Naturally, lenders want to see that you have a long, consistent track record of repaying what you owe.

4. New accounts. Lenders also want to see how much new debt you're taking on. So it's important to remember that each application you submit—regardless of whether you're approved—will show up on your credit report and potentially lower your score.

5. Types of credit. Creditors want to see that you've had experience using different types of credit. They look more favorably, however, on some types of credit than others:

a. A mortgage looks good as long as you've kept up your payments.

b. Vehicle loans and bank loans can show a history of repaying a significant amount of money consistently over time.

c. Credit cards can be a plus, as long as you've made regular payments and don't apply for multiple new cards in a short period of time. Avoid using more than 35 percent of your total available credit.

When is the last time you checked your credit report?

It's important to keep tabs on your credit report so you can:

- Know what lenders will see when you apply for credit
- Be sure the information is correct—and if it's not, take steps to get it corrected
- See where you may have opportunities to improve your score.

By law, you can request a free credit report once every 12 months from each of the nationwide consumer credit-reporting companies: Equifax, Experian and TransUnion.

You can order all three reports online at annualcreditreport.com.

You can get the step-by-step information you need to help establish credit for the first time, improve your credit standing, get more credit or pay down your credit obligations at www.wellsfargo.com/smarter_credit.