



HOME LOAN

Á æ æ ^ Ä [~ ! Á Ô ! ^ å ã

www.tedcanto.com

www.thecantoteam.com

www.activerain.com/tcanto

www.twitter.com/Thecantoteam

<http://www.facebook.com/thecantoteam>

TABLE OF CONTENTS

Welcome to the Guide to Managing Your Credit from The Canto Team.

Here, you'll learn everything you need to know about credit, including how to get good credit, repair bruised credit and keep your credit score in good standing. If you're looking for the tools you need to ace your credit score and achieve your financial goals, you're in the right place. Here's what you can expect to find:

Credit 101: A Crash Course in Understanding Credit.....	4
Report Cards Are In! Credit Reports Are the Financial Report Card for Adults.....	5-6
Making the Grade: What Determines Your Credit Score?.....	7-10
Your Credit Score Study Guide: Ten True Ways to Give Your Credit Score a Boost	11-12
The Importance of Good Study Habits: Changing Your Lifestyle Can Drastically Change Your Financial Situation	13
Getting the Grade You Deserve! How to Clear Up Credit Report Inaccuracies	14-15
Cheating Never Pays! What to Do When Someone Steals Your Personal Information	16-17
Lecture Notes: 25 Suggestions for Trimming Your Budget	18-22
Never Stop Learning: Count on The Canto Team for Life	23
Contacts at a Glance	24

CREDIT 101: A CRASH COURSE IN UNDERSTANDING CREDIT

WHAT IS CREDIT?

If credit is an entirely new term to you, here's a good way to think about it. Your credit record is like your own financial track record—it's a record of your financial history and how well you've managed your finances in the past. Your credit cards, car loans, how much debt you have, any unpaid bills or missed payments...it's all there.

Why is your credit so important now? Well, because when your lender—The Canto Team—will want to have confidence in your ability and willingness to pay back the loan before lending you money to buy a house. We base that confidence on how you've managed your finances in the past—which will all be reflected in your credit report. The interest rate that The Canto Team will apply to your loan depends on your credit record—or, how good your credit is. The better your credit record, the lower your interest rate.



Your credit record is like your own financial track record – it's a record of your financial history and how well you've managed your finances in the past.

REPORT CARDS ARE IN! CREDIT REPORTS ARE THE FINANCIAL REPORT CARD FOR ADULTS

What Is a Credit Bureau?

A credit bureau (also called a credit reporting agency) gathers and maintains information about your credit history. The bureau compiles a credit report from information they collect about your payment habits from banks, savings and loans, credit unions, finance companies and retailers. The report includes all of your loan accounts and your credit card accounts and details specific account information including the date the account was opened/closed, credit limit or loan amount, your balance and your monthly payment. You'll also find late payments, bankruptcies, liens and collection agency attempts to collect past due amounts. All of the information they collect is compiled into one report called a credit report.

There are three main credit bureaus, or reporting agencies:

Equifax: equifax.com, 800-685-1111

Experian: experian.com, 888-397-3742

TransUnion: transunion.com, 877-322-8228

Each credit bureau typically calculates your score a little differently. For your free credit score contact us. If you contact us you'll be able to get a free copy of your report and other need-to-know info about your home.

Who Sees My Credit Report?

The credit report contains all of your credit history, so it is of most interest to lenders and creditors.

Why? Because they want to review your credit history in order to determine whether you are a good candidate to lend money to, and whether you are likely to pay it back. That's why it's so important to maintain good credit history.

What Is a Credit Score?

Remember your high school history class?

Throughout the semester you turned in your papers, presentations and dioramas for individual grades. Then your grade for the course—displayed prominently on your report card—was based on your overall performance in the class. Credit scores work the same way. Think of your credit report as your financial report card, and your credit score as your overall grade in the class.

***TONIGHT'S ASSIGNMENT**

FICO

Your credit score, also called a FICO score, is a number that's based on your credit report. FICO is the acronym for the [Fair Isaac Corporation](#), the private corporation that created the most-known and widely used credit score model in the United States. The scoring has become widely accepted by lenders as a reliable means of credit evaluation. A credit score attempts to condense a borrower's credit history into a single number—the numbers range from the lowest at 300 (a poor credit score) to the highest score of 850 (an excellent credit score). The better your financial track record, the higher your score: a poor financial history will result in a lower number. In essence, the score tells lenders how likely you are to pay your bills. That's why this number will help The Canto Team determine if you are a good candidate for a home loan.

Your credit score, also called a FICO score, is a number that's based on your credit report. The better your financial track record, the higher your score.



MAKING THE GRADE: WHAT DETERMINES YOUR CREDIT SCORE?

Want to ace your financial report card like you did your fifth grade math exam?

Pay close attention. Here are the five major factors that affect your credit score:

PAYMENT HISTORY

Accounts for Approximately 35% of Your Score.

Do you make your payments on time or do your bills find their way to a kitchen drawer until you pay them “later?” And if you do wait to make your payments, how long do you wait— 30 days, 60 days or 90 days? Whether or not you pay your credit accounts on time and the amount of time they sit unpaid has the most impact on your score. However, an overall good credit picture can outweigh a few late payments, and if you do have a few late payments, they will continue to have less impact over time.

AMOUNTS OWED

Accounts for Approximately 30% of Your Score.

How much debt is too much for your financial report? If you owe a lot of money on numerous different accounts, lenders and creditors may see you as financially unstable or overextending yourself. However, simply having a reasonable balance on a few credit accounts that you pay down over time may help increase your credit score—showing lenders that you’re a responsible borrower with control over your budget.

LENGTH OF CREDIT HISTORY

Accounts for Approximately 15% of Your Score.

Typically, the longer you’ve been using credit accounts, the higher your score. It’s best to establish credit early on (provided you are old enough to understand the importance of good credit management) to extend your credit history over time.

NEW CREDIT

Accounts for Approximately 10% of Your Score.

Would you like to open a credit card and save 10% today? We hear it all the time at every retail chain. Ask yourself, is the 10% savings worth a hit on my credit report? Credit inquiries are when a credit company requests and reviews your credit report before they approve you for a credit card. Several inquiries in a short period of time can negatively affect your credit score—more so if you have a short credit history. Conversely, let's assume you are shopping for car insurance and you want to find the best rate. Insurance companies will have to pull your credit report in order to give you a quote. If you're really rate shopping, that could result in several "credit inquiries" in a short period of time! Don't worry. To your benefit, credit reporting agencies are able to distinguish between "rate shopping" and requests for new credit accounts. Your credit score will not likely be affected.

TYPES OF CREDIT IN USE

Accounts for Approximately 10% of Your Score.

Your credit report will show every credit account that you have in your name. Chances are, you have more than one kind of credit account. Your car lease, your mortgage payment and your credit cards for retail stores are all types of credit accounts. A healthy mix of different kinds of credit accounts will improve your score. However, we don't advise that you use this particular factor as a means to improve your score. It's not advised to simply open accounts that you don't need in the interest of getting a "good mix" of credit accounts.

Credit inquiries are when a credit company requests and reviews your credit report before they approve you for a credit card.



Credit as a Second Language: How to Interpret Your Credit Score.

Your credit report typically lists up to four reasons why your score isn't higher. Check these out and keep them in mind when you're making future financial decisions.

Here are the ten most frequent explanations and what they mean:

- Serious delinquency: You have one or more accounts with late payments.
- Serious delinquency, and Public Record of Collection filed:
You have one or more accounts that have been sent to a collection agency.
- Time since delinquency is too recent or unknown:
You have one or more accounts that are recently past due.
- Level of delinquency on accounts: Your accounts are 60 to 90 days or more past due.
- Number of accounts with delinquency: You have numerous past due accounts.
- Amount owed on accounts: You have too much debt.
- Proportion of balances to credit limits on revolving accounts is too high:
The balance on your credit cards is too high.
- Length of time accounts have been established:
Your credit history is not long enough to show responsible credit management.
- Too many accounts with balances: Concern over your debt load.



Your credit report typically lists up to four reasons why your score isn't higher.

Your Credit score to Your advantage

The goal of your The Canto Team home loan expert is to find you the best possible mortgage for your situation. How do we do it? The Canto Team will take a look at your credit report and your score to determine what you can qualify for and what you can afford. Based on your credit report, your home loan expert can help you consolidate debt, resolve any errors and pay off credit cards with a home loan that has a more reasonable interest rate. We help clients every day who may think they can't qualify for a home loan because of lower credit scores. Credit already in tact? Your home loan expert will get you a low interest rate and a loan program that helps you continue to achieve your financial goals.

No matter what your situation, your Canto Team home loan expert will work with you to improve your credit score, solve any past credit issues, and offer you products and pricing customized to your needs.

Your home loan expert will get you a low interest rate and a loan program that helps you continue to achieve your financial goals.



YOUR CREDIT SCORE STUDY GUIDE: TEN TRUE WAYS TO GIVE YOUR CREDIT SCORE A BOOST

Okay, so you can't change your credit score overnight. But making some adjustments to the way you handle your finances can help raise your score over time. Here are some things to keep in mind if your credit score needs a pick-me-up:

1. Pay Your Bills On Time.

Paying your bills by the date they're due is the best way to improve your score. And honestly, it's never too late to start, even if you've had serious delinquencies in the past. Your prior past due payments will be outweighed by new financial habits as long as you're consistent.

2. Keep Credit Card Balances Low.

High outstanding balances on your credit cards can weigh down your score. If you can, work toward getting your balance at least under 50% of your total credit limit on each account.

3. Check Your Credit Report For Accuracy.

Check your credit report periodically for inaccuracies. Pay close attention to payments you've made and cards you've closed or paid off. Look out for bills you've paid, that may still be showing up as discrepancies on your report. For tips on how to easily clear up credit report inaccuracies, see page 12.

4. Pay Off Debt, Rather Than Move It Around.

When it comes to the amount of debt you have, the most effective way to improve your score is simply by paying down the amount you owe. Unfortunately, consolidating your credit card balance onto one credit card, spreading it over multiple cards or rolling your balance over onto a new credit card every year doesn't help to improve your score in the long run.

5. Keep Your Credit Cards, But Manage Them Responsibly.

Keeping your credit cards can help improve your credit score, provided you manage them responsibly. It will not necessarily help your score to cancel cards or loan accounts immediately after paying them off. A higher average age for all of your accounts can help your score.

**6. Don't Open Multiple Accounts Too Quickly,
Especially If You Have A Short Credit History.**

Opening multiple credit accounts in a short period of time is considered a risk by reporting agencies. Why? Because you are potentially taking on a lot of debt. If you open three credit cards in one month and they each have a \$10,000 available balance, you are allowing yourself the opportunity to gain \$30,000 worth of debt instantly. New accounts will also lower the average age of your existing accounts, which can also lower your score.

7. Don't Close An Account To Remove It From Your Record.

A closed account will still show up on your credit report and may still be factored into your score. Closing accounts could lower your score if they are positively contributing to your length of credit history.

8. Shop For A Loan Within A Focused Period Of Time.

FICO scores can distinguish between a search for a single loan and a search for many new credit lines, based in part on the length of time over which recent requests for credit occur.

**9. Contact Your Creditors Or See A Legitimate Credit
Counselor If You're Having Financial Difficulties.**

Don't hesitate to seek out help. The sooner you begin managing your credit well and making timely payments, the sooner your score will get better.

**10. Talk To A Mortgage Expert About Refinancing
Your Home Loan Or Tapping Into Your Home's Equity.**

You might be able to use your home's equity to pay off high-interest credit card debt. Not to mention, the interest on a home equity loan could be tax-deductible.

THE IMPORTANCE OF GOOD STUDY HABITS: CHANGING YOUR LIFESTYLE CAN DRASTICALLY CHANGE YOUR FINANCIAL SITUATION

Our financial status is based purely on habits—spending habits, work habits, and lifestyle expectations. Getting a handle on spending, paying bills on time, and limiting your lifestyle takes a long-term commitment and self-control. It may not always be easy, but the effort will pay off when you see your score improve.

Using Credit Cards Immediately

Put them in a drawer and avoid using them all together. Focus on paying down the existing balance on your current credit cards while you abstain from increasing your debt. It might take some discipline, but you'll adjust to the cash you have on hand over time.

Live within Your Means.

This is when creating a budget will also work to your advantage. Paying your bills and purchasing only the essential items should be the main priority. Carefully weigh the importance of any new purchases against the more long-term advantage of reestablishing good credit.

GETTING THE GRADE YOU DESERVE! HOW TO CLEAR UP CREDIT REPORT INACCURACIES

So you've requested your report, you've paid close attention to each item on your report, and as it turns out, you are quite sure you've never had an exclusive Norwegian Cruise Line credit card (the only sea legs you embrace are the Alaskan crab behind the supermarket seafood counter). Don't worry. Clearing up credit inaccuracies can be time consuming, but worth it when your score goes up and the interest rates you qualify for go down!

CLEARING UP CREDIT REPORT INACCURACIES

Credit report disputes must be made in writing and sent through the regular mail. You can use the sample letter on the following page as a guide when drafting your dispute. Here's what to include in your letter:

- Which account is in error
- What is incorrect about the account as it appears on your credit card
- What it should be changed to and why it should be changed
- Any documentation you have that asserts your claim

For instance, if a credit card is listed as "active" when you had closed it years prior, you will need to submit proof that the card is closed. You may have to obtain this from the credit card company.

When you're trying to clear up an error, send dispute letters to all three credit bureaus and the original creditor, such as a credit card company in the example above. Keep copies of everything you send. By federal law, the credit reporting agencies must help you resolve the issue within 30 days.

Sample Dispute Letter

Take a look at this sample dispute letter. We've tried to make it as easy as possible to simply modify in order to fit your needs.

Date

Your Name

Your Address

Experian

P.O. Box 2104

Allen, TX 75013

To Whom It May Concern:

I am writing to dispute items that were wrongly listed on my credit report. Here are explanations as to why these items should be removed or the information changed.

Item #1

BOA MBNA

This item is inaccurate. This is not my account.

Item #2

SEARS/CBSD

This item is inaccurate. This is not my account.

I'm requesting that the items be changed or deleted as indicated. Thank you for taking care of this immediately.

Sincerely,

Your Name

Your Phone

CHEATING NEVER PAYS! WHAT TO DO WHEN SOMEONE STEALS YOUR PERSONAL INFORMATION

Similar to the inevitable “class cheat” who tries to steal your answers to the final exam, identity thieves are common. They steal your personal information—your social security number, credit card numbers, driver’s license information—and use it to commit fraud by making purchases and withdrawals from your bank account. Victims are at a risk for losing financial assets, not to mention their peace of mind.

If you’ve taken a look at your credit report and you notice exorbitant charges or behavior that’s not your own, it’s critical you research the situation immediately. Here are a few quick tips that may get you started:

1. Contact the fraud departments of any one of the three major credit bureaus. Ask them to place a fraud alert on your credit file.
2. Close the accounts that have been tampered with.
3. File a police report. Get a copy of the report to submit to creditors.
4. File your complaint with the FTC (Federal Trade Commission). The FTC maintains a database of identity theft cases used by law enforcement agencies for investigations. For more information, call 877-FTC-HELP.
5. Consider subscribing to one of the credit watch services that monitor your credit report for unusual activity. They’ll alert you when they suspect that your credit is being abused.

If you’ve taken a look at your credit report
and you notice exorbitant charges or
behavior that’s not your own, it’s critical
you research the situation immediately.



POP QUIZ

IS YOUR DEBT OUT OF CONTROL?

Debt Danger Signs That Can Guide You Back on Track

Is your debt out of control? Carrying some debt is normal and—as we’ve discussed—can help build your credit history. But how do you know when you’ve lost control of your debt and, in turn, it begins to control you?

Check out this list of danger signs. If they seem to fit your lifestyle, it’s a good indication that it’s time to take some steps to redraft your financial habits.

- You spend more than you earn.
- Creditors call you regarding past due accounts.
- You find yourself living paycheck to paycheck.
- You don’t know how much you owe on your bills.
- You’ve paid late fees more than twice in the last year.
- You occasionally find yourself making late payments.
- You pay only the minimum on your credit cards.
- You put off paying one bill so that you can pay another.
- You commonly argue about money with family members.
- You take cash advances from credit cards to pay bills.
- You make impulsive purchases.
- You’ve borrowed money from your retirement fund in order to pay bills.

LECTURE NOTES: 25 SUGGESTIONS FOR TRIMMING YOUR BUDGET

So where do I start? If that's the first thought that comes to mind when it comes to changing your lifestyle, you're not alone. It's tough to change habits that may have become a way of life for you. If you're not sure which habits are hitting your budget the hardest, we've put together 25 suggestions to trim a little off the top.

1. Write Down Everything You Spend.

It sounds elementary, but you'll notice the waste in your daily spending when you have each purchase down in front of you. You can create a spreadsheet in Microsoft Excel or purchase personal financial software, which does the math for you.

2. Pay Off Your Credit Card Debt As Quickly As Possible.

Keeping a high balance on your credit cards will cost you a lot of money in interest every month. Focus on paying off your high-interest credit cards first before anything else. If you have a savings account, consider allocating a lump sum of savings to your card—chances are you're losing more money in credit card interest than you're earning in interest on your savings account.

3. If You Have More Credit Card Debt Than You Can Pay

Immediately, Roll The Balance Over To A Zero-Interest Card.

We all get countless credit card applications in the mail every month. Start looking for cards advertising 0% interest on balance transfers for a long period of time—aim for 12 months or more. When you do this, calculate how much you will need to pay toward the card every month in order to have the balance paid off before the introductory period. Make sure you pay it off in that time! If you don't pay it off within the introductory 0% interest period, some credit card companies will charge your account with all of the interest you would have accrued during your introductory period in one lump sum when your 0% period expires. Before you transfer your balance, ask your credit card representative if the interest is deferred until after your introductory period.

4. If You Can't Pay With Cash, Don't Buy It.

This is where lifestyle habits come in. Ask yourself this question when you're distracted by a large purchase. If you can't afford to pay for an item in full up front, don't purchase it. Interest on a credit card will only cost you more in the long run.

5. Bring Coffee From Home Instead Of Buying It.

It's a small change that can add up to a lot of savings. If you spend \$3 a weekday, you could save up to \$780 a year by using coffee from home.

6. Give Up Smoking (Or Cut Back).

At \$4 or more per pack, cutting out one pack a day will save you at least \$1,460 per year. The best part? If you quit smoking all together there's a ripple effect that could lower your health and homeowner's insurance premiums.

7. Eat Out Less.

A family of four can rarely get out of any sit-down restaurant for less than \$30. Even pizza to feed that family can cost up to \$30 with salad, soft drinks and delivery. If you cut out one restaurant visit a week, you'll save \$1,560 per year.

8. Bring Your Lunch To Work.

Spend seven dollars a day and "let's do lunch" turns into \$1,820 per year.

Bring coffee from home instead of buying it. It's a small change that can add up to a lot of savings. If you spend \$3 a weekday, you could save up to \$780 a year by using coffee from home.



9. Energy Efficiencies Can Save You Hundreds Of Dollars Per Year.

If the air conditioning is on so high that you're throwing on a sweatshirt when you walk into your house, your practices may be a little counterproductive. Raising the temperature just a couple degrees can make an impact on your bill. In the winter, consider lowering the heat a couple degrees. Put in storm windows and caulk around your interior windows. Is your energy bill nothing short of electrifying (and not in a good way)? Most local household supply stores now carry energy efficient light bulbs. They may seem a little more expensive up front, but you'll notice that they last longer than regular light bulbs, and they help lower your energy bill significantly over time.

10. Cancel Your Local Newspaper.

If you find that your newspaper finds its way into the recycle bin before it finds its way in front of you, cancel it. You can read it online for free and read your magazines at the library.

11. Join A Sam's Club Or Costco.

The benefit here is that you're buying items in bulk—which means you're going home with about 12 more rolls of paper towel than you had needed, but you paid less per roll than you would at the supermarket. The trick? You have to work the shopping trip into your grocery budget. Know how much you can spend at the grocery warehouse every month ahead of time in order to avoid over spending.

12. Shop The Sales And Clip Coupons.

Make this part of your shopping routine. Most local grocery stores post their weekly ads on their website. Before you go shopping, make your list based on the current week's sale items. Clip coupons of ONLY the items you regularly purchase. Don't purchase a new item JUST because you've found a coupon. This will help you stay focused and budget wise.

13. Plan Out Your Holiday Spending Budget In Advance, Then Stick To It.

Assign a reasonable spending amount for each person on your list. Consider splitting the cost of gifts with relatives, or getting more creative.

14. Give Fewer Gifts, And Be More Creative About Them.

Does every niece and nephew need Easter, Halloween and Thanksgiving Day gifts? Probably not. Send a card, and a small cash gift inside. If they're young, \$5 with a card is absolutely acceptable and thoughtful.

15. Take Public Transportation When Possible, Or Carpool.

You can cut your gas budget in half if you carpool with co-workers and alternate drivers. Or, explore taking public transportation if your city offers it. Less wear and tear on your own vehicle will cost you less in the long run.

16. Seek Out Free Family Activities.

Check your local newspaper for free events at museums and other attractions. Go online to your local Chamber of Commerce or Parks and Recreation website for event listings. Vacation in lake spots with nature trails and plenty of room for outdoor activities.

17. Rent A Movie Instead Of Going To The Theater.

An evening at the movies (plus snacks) can run upwards of \$50 for a family of four. Renting a movie from your local library typically doesn't cost over a dollar. Even a movie from your local rental store won't run you over \$5—a much less expensive (and more comfortable) alternative. Make a night of it. Get microwave popcorn, soda and candy. The cost of your night should be less than \$10 total.

18. Vacation At Home.

Taking time off for vacation? Who says you have to leave the state? Take a week with the family and spend it at home exploring local attractions. You'll have a relaxing week without the stress of over spending.

19. Raise The Deductible On Your Homeowner's And Car Insurance Premiums.

You may be able to shave 15% to 20% off your annual premium.

20. Purchase As Much Insurance From The Same Company As Possible.

Typically insurance companies will give you a discount for carrying more than one policy with their company. Add family members and combine auto and renter's/homeowner's insurance to maximize your discount.

21. Buy Your Next Car, Don't Lease.

Do you absolutely HAVE to have a new car every two years? You're typically better off purchasing a car rather than leasing. Why? Because you don't have to worry about mileage and at the end of your term, you have something to show for your payments.

22. Consider A Used Car Rather Than A New Car.

A new car instantly loses 10% to 30% of its value the minute you drive it off the lot. If you purchase a pre-owned or pre-leased vehicle, you'll save the depreciation and the car may even still be under warranty.

23. Find A Bank With Convenient ATMs.

If you find yourself paying ATM charges from other banks because your bank never seems to have a convenient ATM location, switch. At nearly two dollars for every withdrawal, you're probably paying too much.

24. Cancel Unnecessary Channels On Your Cable Service, And Extend The Promotional Rate.

Time to separate your needs from your wants when it comes to cable service. Do you need three movie channels...or even one? Consider cancelling all additional movie channels that are not absolutely necessary (which is probably all of them). Also, if you received an "introductory rate" or some kind of a promotional rate when you signed up for cable, and it's recently increased, put on your bargaining hat. Call your cable company and tell them that you're going to shop around for service if they can't get you a lower rate. If they want your business, they'll often try to find another promotion you can take advantage of.

25. Keep Your Checkbook And Other Accounts Balanced.

It's easy to do with a financial software. Or simply utilize Microsoft Excel spreadsheets to calculate your expenditures. You'll always know exactly how much you have and where it is.

CONTACTS AT A GLANCE

The following is a list of the resources included in this guide:

CREDIT BUREAUS AND INFORMATION

Equifax

[equifax.com](https://www.equifax.com) • 800-685-1111

Experian

[experian.com](https://www.experian.com) • 888-397-3742

TransUnion

[transunion.com](https://www.transunion.com) • 877-322-8228

Federal Trade Commission (FTC) • 877-FTC-HELP

A referral is the best compliment. If you had a great experience with The Canto Team, tell someone you know. We can proudly say that 9 out of 10 clients would refer us to their friends and family. We'd be glad if you would, too.