

AVERAGE FICO SCORE OF 786 NOW NEEDED TO QUALIFY FOR LOWEST HOME MORTGAGE INTEREST RATE



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Contributing Writer

In an effort to keep the US economy afloat the Fed has made a concerted effort to keep interest rates at an all time low. In fact, rates on a 30-year fixed rate home loan hit new recorded lows over 15 times in 2020. Continuing this trend, mortgage rates have dropped as low as 2.65% this month, according to Freddie Mac. To be able to qualify for such an amazingly low rate, however, your FICO score needs to be stellar. According to the Federal

Reserve Bank, the average credit score needed in order to qualify for a mortgage has risen to its highest level in 20 years. The typical FICO score necessary to be considered for the most attractive interest rates averaged 786 for the 3rd quarter of 2020.

As a result of the Covid19 pandemic, unemployment has skyrocketed and an unprecedented amount of business have closed, causing lenders to be far more selective as to whom they will consider granting loans to. High credit scores to the front of the line!

According to the Fed, only 25% of applicants applying for a mortgage got a home loan with a FICO score averaging less than 740. Further, only 10% of applications were approved for those with a FICO score of 683 or less. As a point of reference, the credit reporting company Experian reported that the average US consumer's median FICO score in 2020 was 710. Most lenders won't even consider an application unless they have a minimum

FICO score of 700. Those that own a home are more likely to have higher credit scores than those who don't.

Andy Ardila, a luxury real estate advisor at Compass, says that raising the bar on minimum FICO score requirements may also be a by-product of a re-fi frenzy occurring due unprecedented low interest rates. Lenders have reported receiving double the amount of re-fi applications versus a year ago. High demand is also tapping out many lender's capacity for lending in general.

"Raising your credit score is attainable", says Ardila. "Let the experts monitor your credit score. Sign up for an online service to monitor your credit. Make sure you are not getting penalized for credit errors. Request a copy of credit report and go over it line by line for any outdated or incorrect information" suggests Ardila to his clients.

Falling behind in your bills will hurt your credit score. To repair your credit,



consider signing up for a secured credit card to give yourself some credit history. Such cards will require you to provide a cash deposit to establish your credit card limit. For example, if you deposit \$2,500 that is your credit limit. Shop secured cards for the most competitive rate. Experts also recommend consolidating all of your debt into one low interest loan and paying off all of your higher balances. Even if you FICO score is below the

780 mark, it still pays to shop around, as mortgage rates vary considerably. Make sure to take advantage of these usually low interest rates right now before rates go up!

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