



Credit Use - How Do You Measure Up?

As mortgage credit continues to dry up for subprime or poor credit borrowers, you may be wondering where you stand on the credit spectrum and what your chances are of getting a home loan. It may be helpful to take a look at some statistics of the average credit holder. Fair Isaac Corporation, the company that created the formula for credit scoring, has taken a survey of American consumers and their credit habits. The results may surprise you and challenge you to use your credit more wisely!

First, Fair Isaac found that on average, a typical consumer has 13 credit accounts on his credit record, whether they be open or closed. These 13 credit accounts are likely to consist of 9 credit card obligations (including department store and gas cards) and 4 are likely to be installment loans like car, mortgage, or student loans. If you have close to 13 accounts on your record, congratulations! You're average. It is not a good idea to open new accounts just to have more though; this looks to the credit bureau like you are desperate for funds because of unwise financial management. Neither is it a good idea to close accounts to decrease the number you have; by getting rid of older accounts you may make your credit history appear shorter than it is.

Fair Isaac also found that most consumers are actually paying their credit bills on time. Does that surprise you? More than 50 percent of all consumers have never had a payment reported as later than 30 days and 77 percent have never had an account reported as 90 days past due. Of those surveyed, less than 20 percent had ever had an account closed by a lender because of delinquency. What this means for you is that in order to be competitive for a good home loan rate, you also have to pay your bills on time. This is one of the most important aspects of your credit score and making timely payments consistently will definitely boost your ranking.

The survey also covered the average credit history length. Fair Isaac discovered that the average consumer has a credit history dating back 14 years. They also found that 25 percent of consumers had a credit history of 20 years or longer and that only 5 percent of consumers had a credit history of two years or less. While it is true that a longer credit history is usually better for your credit score, there is really nothing you can do to lengthen it other than just wait. If you have absolutely no credit accounts, it would be a good idea to open one or two now to start your credit history's clock ticking. Just be sure to manage them wisely and make all your payments on time!

Credit is a necessary evil these days whether you like it or not. After recognizing that fact, your job is to maintain your credit report in order to obtain your financial objectives in life. According to the Fair Isaac survey, keeping up with the norm in this case isn't such a bad idea. Keep your credit clean by avoiding late payments, maintaining a healthy number of credit accounts, and letting your timely payments build up over time. These steps are a good start to be able to qualify for a great deal on a mortgage loan!