

## Be Payment Conscious

By ANNA CHANG-YEN | Green Shoot Media

Government loan backer Fannie Mae is taking a closer look at potential borrowers' habits when it comes to paying their credit card bills.

Using so-called "trended credit data," Fannie Mae will analyze the amounts of payments borrowers make, compared to the balance on a particular account. Consumers who pay only the minimum amount due each month will be seen as a higher risk than consumers who pay more.

### HEALTHY HABITS

Traditionally creditors have evaluated only current and past balances, as well as information about whether or not consumers made timely payments. Using trended credit data, according to Fannie Mae, "allows a smarter, more thorough analysis of the borrower's credit history" and will "benefit borrowers who regularly pay off their revolving debt."

Paying more than the minimum payment due is a healthy financial habit that has many benefits for borrowers. Mortgage lenders have long considered a borrower's balances compared to their credit lines, preferring to see balances of less than 30 percent of limits. The use of trended credit data will allow Fannie Mae to consider even greater detail and reward responsible borrowers.

Paying more than the mini-



imum payment due also can help borrowers save considerable amounts of money in the long term. Consider this example from Bank of America: With an initial minimum payment of \$37 per month, it will take 159 months to pay off \$1,500 debt, with a total interest charge during the payback period of \$1,760. With a set monthly payment of \$47 (the initial \$37 due plus just \$10 extra), it'll take 44

months to pay off your debt, with a total interest charge of \$557.59 during the payback period."

### WHAT IT MEANS FOR YOU

This change, which could end up being adopted by individual lenders, gives consumers even more incentive to use credit responsibly. Maxed out credit cards can be a warning sign of financial irresponsibili-

ty; it's always a good idea to cultivate good financial habits. If your credit card balances tend to hover near the limits, work on a plan to pay them down, particularly if you're preparing to buy a home.

Using a credit card for regular monthly expenses, such as groceries and gas, can be a good way to analyze your spending at the end of the month and demonstrate finan-

### REAL ESTATE 101

#### Get Credit Help

The National Foundation for Credit Counseling can help consumers get a handle on their credit challenges, including:

- Advising on money management;
- Offering solutions to financial problems; and
- Developing a personalized plan to help prevent future difficulties.

Schedule an Appointment with an NFCC Certified Credit Counselor at [www.nfcc.org/locator/](http://www.nfcc.org/locator/).

cial responsibility by paying off the balances. Be sure to take note of the grace periods on your credit cards, and be sure to pay in a timely fashion to avoid interest charges. Also be conscious of the 30 percent guideline when it comes to utilizing your credit limits.

The change will not affect borrowers' credit scores, according to the New York Times, and it's too early to tell if Freddie Mac and other individual lenders will follow suit. It is, however, an opportunity for consumers to take note that, when they apply for a mortgage, their financial habits are being examined closely, and to respond accordingly.





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#### HOMESWISE GLOSSARY

**Escalation** — The right reserved by the lender to increase the amount of the payments and/or interest upon the happening of a certain event.

**Prepayment** — Provision made for loan payments to be larger than those specified in the note.

**SOURCE:** California Bureau of Real Estate

# AD SPACE